

## Accounts Commission for Scotland

### Agenda

**Meeting on Thursday 14 July 2011,  
in the offices of Audit Scotland, 18 George Street, Edinburgh  
The meeting will begin at 10:00 am**

1. **Apologies for absence**
2. **Declarations of interest**
3. **Decisions on taking business in private:** The Commission will consider whether to take items 13, 14, 15 and 16 in private.
4. **Minutes of meeting of 16 June 2011**
5. **Minutes of meeting of the Performance Audit Committee of 9 June 2011**
6. **Chair's introduction:** The Chair will report on recent activity and issues of interest to the Commission.
7. **Update report by the Controller of Audit:** The Commission will consider a report on matters relating to the audit of local government.
8. **Performance indicators and performance management systems:** The Commission will consider a report on PIs and performance management.
9. **Engagement with and assurance from shared risk assessment:** The Commission will consider proposals and related arrangements.
10. **Accounts Commission digest:** The Commission will consider any points that arise from its regular briefing on current issues.
11. **Annual report on benefits audit:** The Commission will consider a report on benefits audit work during 2010/11 and related matters.
12. **Aberdeenshire Council:** The Commission will consider a report by the Controller of Audit.
13. **Aberdeenshire Council:** The Commission will consider the action it wishes to take on the Controller's report.
14. **Performance audit - justice overview:** The Commission will consider a draft audit report.
15. **Performance audit - modernising the planning system:** The Commission will consider a draft audit report.
16. **Accounts Commission strategy event:** The Commission will consider matters arising from its strategy seminar.

The following papers are enclosed for this meeting:

Agenda Item	Paper number
<b>Agenda Item 4:</b> Minutes of the meeting of the Commission of 16 June 2011	AC.2011.7.1
<b>Agenda Item 5:</b> Minutes of the meeting of the Performance Audit Committee of 9 June 2011	AC.2011.7.2
<b>Agenda Item 7:</b> Update report by the Controller of Audit	AC.2011.7.3
<b>Agenda Item 8:</b> Report by Director of Best Value and Scrutiny Improvement	AC.2011.7.4
<b>Agenda Item 9:</b> Report by Director of Best Value and Scrutiny Improvement	AC.2011.7.5
<b>Agenda Item 10:</b> Accounts Commission digest for July 2011	AC.2011.7.6
<b>Agenda Item 11:</b> Report by the Assistant Auditor General	AC.2011.7.7
<b>Agenda Item 12:</b> Note by Acting Secretary & Business Manager  Report by Controller of Audit	AC.2011.7.8  AC.2011.7.9
<b>Agenda Item 14:</b> Report by the Director of Performance Audit (PRIVATE PAPER – For members only)  Draft key messages (PRIVATE PAPER – For members only)  Draft performance audit report (PRIVATE PAPER – For members only)	AC.2011.7.10  AC.2011.7.11  AC.2011.7.12
<b>Agenda Item 15:</b> Report by the Director of Performance Audit (PRIVATE PAPER – For members only)  Draft key messages (PRIVATE PAPER – For members only)  Draft performance audit report (PRIVATE PAPER – For members only)	AC.2011.7.13  AC.2011.7.14  AC.2011.7.15
<b>Agenda Item 16:</b> Report by the Acting Secretary & Business Manager (PRIVATE PAPER – For members only)	AC.2011.7.16

**ACCOUNTS COMMISSION**

**MEETING 14 JULY 2011**

**MINUTES OF PREVIOUS MEETING – 16 JUNE 2011**

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Minutes of the meeting of the Accounts Commission  
held in the offices of Audit Scotland at  
18 George Street, Edinburgh, on  
Thursday, 16 June 2011, at 10am

PRESENT: John Baillie (Chair)  
Michael Ash  
Alan Campbell  
Sandy Cumming  
James King  
Christine May  
Bill McQueen  
Colin Peebles  
Linda Pollock  
Graham Sharp  
Douglas Sinclair (Deputy Chair)

IN ATTENDANCE: Fraser McKinlay, Controller of Audit and Director of Best Value and  
Scrutiny Improvement (BVSI)  
Fiona Kordiak, Director of Audit Services  
Gordon Smail, Acting Secretary & Business Manager  
John Gilchrist, Manager, Audit Strategy [Item 8]  
Andrew Laing, HMICS [Items 11,12]  
Paul Bullen, HMICS [Items 11,12]  
Antony Clark, Assistant Director, BVSI [Items 11,12]  
Lesley McGiffen, Portfolio Manager, BVSI [Items 11,12]  
Angela Cullen, Assistant Director, Performance Audit Group (PAG)  
[Items 13, 14]  
Graeme Greenhill, Portfolio Manager, PAG [Item 13]  
Michael Oliphant, Project Manager, PAG [Item 13]  
Barbara Hurst, Director of PAG [Item 14]  
Angela Canning, Assistant Director, PAG [Item 15]

<u>Item No</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of interest
3.	Decisions on taking business in private
4.	Minutes of meeting of 19 May 2011
5.	Minutes of the Financial Audit and Assurance Committee of 12 May 2011
6.	Chair's introduction
7.	Update report by the Controller of Audit
8.	Annual report on audit quality 2010/11
9.	North Ayrshire Council Best Value audit follow-up
10.	Accounts Commission digest
11 and 12	Strathclyde Police and Authority – Best Value audit and inspection
13.	Performance audit on Scotland's public finances
14.	Performance audit programme
15.	Equality and Diversity review report

1. Apologies for absence

Apologies for absence were received from Colin Duncan.

2. Declarations of interest

Christine May declared an interest in Item 14, insofar as the programme of performance audits includes proposals relating to renewables and outsourcing.

3. Decisions on taking business in private

The Commission agreed to take items 12, 13, 14 and 15 in private to allow deliberations on: actions and findings on the joint best value audit and inspection on Strathclyde Police (Item 12); on a draft audit report to be published in August (Item 13); a draft programme of performance audits which will be subject to consultation over the summer (Item 14); and its draft review report on equality and diversity which will be published in June (Item 15).

4. Minutes of meeting of 19 May 2011

The minutes of the meeting of 19 May 2011 were submitted and approved.

5. Minutes of the Financial Audit and Assurance Committee of 12 May 2011

The Commission noted the minutes of the meeting of the Financial Audit and Assurance Committee of 12 May 2011.

6. Chair's introduction

The Chair reported that:

- On 19 May, he and the Deputy Chair met with SOLACE to discuss performance indicators and related matters. The Commission noted that it will receive an update report from Audit Scotland in July.
- On 8 June, he and the Deputy Chair met with the Minister for Local Government and Planning. A meeting with the Cabinet Secretary for Finance, Employment and Sustainable Growth will take place at a later date.
- On 8 June, he had chaired a meeting of the Strategic Scrutiny Group.

Mike Ash and Colin Peebles had represented the Commission at the ACPOS conference on 2 and 3 June, and gave a short report back.

7. Update report by the Controller of Audit

The Commission considered and noted a report by the Controller of Audit providing an update on recent activity in relation to the audit of local government.

During discussion the Commission:

- noted that the appendix setting out details of membership of the Scottish Parliament's Committees will be updated to identify the conveners of each committee and circulated to Commission members for information
- requested Audit Scotland to establish contact with the political parties' spokespersons for local government, as part of Audit Scotland's on-going stakeholder engagement activity

- noted current issues at individual councils, including references to concerns about conduct, which reinforces the need for effective governance and controls.

8. Annual report on audit quality 2010/11

The Commission considered a report by the Assistant Auditor General summarising the arrangements for maintaining a high quality of work by both Audit Scotland and the firms for services provided to the Commission and the Auditor General.

In addition, the Commission was informed that the Performance Audit Group had recently received feedback on a further two of its reports and that the Audit Scotland Board had initiated new arrangements for reviewing quality across the Audit Scotland business groups.

Following discussion, the Commission: noted the report; indicated that it was content with the report's conclusion; and requested a brief update in the autumn on work underway to develop governance of quality across Audit Scotland.

9. North Ayrshire Council Best Value audit follow-up

The Commission considered and noted a report of a meeting between Commission members and representatives of North Ayrshire Council on 18 May.

10. Accounts Commission digest

The Commission considered and noted its regular briefing on current issues, and sought further information on a number of points.

11. Strathclyde Police and Strathclyde Police Authority – Best Value audit and inspection

The Commission considered the report on the Best Value audit and inspection of Strathclyde Police and Strathclyde Police Authority, submitted jointly by the Controller of Audit and Her Majesty's Inspector of Constabulary for Scotland.

During discussion, the Commission sought clarification and further explanation from the Controller of Audit, HMICS and the audit team on a number of points in the report.

12. Strathclyde Police and Strathclyde Police Authority – Best Value audit and inspection (In private)

Following discussion, the Commission agreed to make findings as contained in the report to be published on 14 July 2011.

13. Performance audit on Scotland's public finances (In private)

The Commission considered a report by the Director of Performance Audit inviting it to consider and approve the draft performance audit report on *Scotland's Public Finances*, prepared on behalf of the Commission and the Auditor General.

The Commission approved the draft report for publication, subject to consideration being given to a number of points raised in discussion.

14. Performance audit programme (In private)

The Commission considered a paper setting out a proposed programme of national performance audits.

In discussion, the Commission noted and reaffirmed the views expressed by the Performance Audit Committee at its meeting on 9 June.

The Commission also: agreed to extend the definition of the strategic theme on managing budgets to include economic growth and development; approved the proposed programme of performance audits; and approved the timetable for finalising the programme, which includes consultation with stakeholders.

15. Equality and Diversity review report (In private)

The Commission considered a draft annual report on progress with its Single Equality Scheme and approved the report for publication in June.

**ACCOUNTS COMMISSION**

**MEETING 14 JULY 2011**

**MINUTES OF PERFORMANCE AUDIT COMMITTEE**

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Minutes of meeting of the Performance Audit Committee of the Accounts Commission held in the offices of Audit Scotland, 18 George Street, Edinburgh on Thursday, 9 June 2011, at 10.30am.

COMMITTEE MEMBERS PRESENT: Douglas Sinclair (Chair)  
Mike Ash  
Alan Campbell  
Jim King  
Christine May  
Colin Peebles

OTHER COMMISSION MEMBERS PRESENT: Colin Duncan

IN ATTENDANCE: Fraser McKinlay, Director, Best Value and Scrutiny Improvement Group  
Angela Canning, Assistant Director, Performance Audit Group  
Angela Cullen, Assistant Director, Performance Audit Group  
Gordon Smail, Acting Secretary and Business Manager  
Claire Sweeney, Portfolio Manager, Performance Audit Group [Item 4]  
Cathy MacGregor, Project Manager, Performance Audit Group [Item 4]  
Mark Roberts, Portfolio Manager, Performance Audit Group [Item 5]  
Carolanne MacDonald, Project Manager, Performance Audit Group [Item 5]  
Miranda Alcock, Portfolio Manager, Performance Audit Group [Items 6, 7, 8]  
Sally Thompson, Project Manager, Performance Audit Group [Item 6]  
John Lincoln, Project Manager, Performance Audit Group [Item 7]  
Andra Laird, Project Manager, Performance Audit Group [Item 8]

<u>Item no.</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of interest
3.	Minutes of meeting of 7 April 2011
4.	Commissioning social care – draft project brief
5.	Modernising the planning system – emerging messages
6.	Justice overview – emerging messages
7.	Community planning partnerships – emerging messages
8.	Charging for services in local government – further options
9.	Performance audit programme – update and proposals
10.	Any other business

1. Apologies for absence

Apologies were received from John Baillie.

2. Declarations of interest

Christine May declared an interest in Item 9, insofar as the programme of performance audits includes proposals relating to renewables and outsourcing.

3. Minutes of meeting of 7 April 2011

The Committee approved the minutes of its meeting of 7 April 2011.

4. Commissioning social care – draft project brief

The Committee considered a report from the Director of Performance Audit setting out a draft project brief for a performance audit on *Commissioning social care services*, to be conducted jointly on behalf of the Accounts Commission and the Auditor General.

The Committee welcomed the proposed scope of the study and noted that it is timely given current interests in social care services.

The Committee also noted that the audit would consider:

- quality assurance arrangements, including in cases involving direct payments
- the steps taken by councils to understand the local market and the business models applied by providers
- engagement with consumers, and the experience of service users and carers.

Thereafter, the Committee approved the approach set out in the project brief and the issues and investigations matrix.

5. Modernising the planning system – emerging messages

The Committee considered a report by the Director of Performance Audit presenting emerging messages from the performance audit on *Modernising the planning system*, conducted jointly on behalf of the Accounts Commission and the Auditor General.

The Committee approved the emerging messages as the basis for a draft report, subject to consideration being given to a number of points raised in discussion.

The Committee noted that the draft audit report would be submitted to the Commission in July.

6. Justice overview – emerging messages

The Committee considered a report by the Director of Performance Audit presenting emerging messages from the performance audit entitled *An overview of Scotland's criminal justice system*, conducted jointly on behalf of the Accounts Commission and the Auditor General.

The Committee approved the emerging messages as the basis for a draft report, subject to consideration being given to a number of points raised in discussion.

The Committee noted that the draft audit report would be submitted to the Commission in July.



7. Community planning partnerships – emerging messages

The Committee considered a report by the Director of Performance Audit presenting emerging messages from the performance audit on *Community Planning Partnerships*, conducted jointly on behalf of the Accounts Commission and the Auditor General.

The Committee approved the emerging messages as the basis for a draft report, subject to consideration being given to a number of points raised in discussion.

The Committee noted that a draft audit report would be submitted to the Commission in due course.

8. Charging for services in local government – further options

The Committee considered a briefing note by the Director of Performance Audit on a potential performance audit study on charging for council services. The purpose of the paper was to help the Committee form its view on the proposed direction and timing of the audit.

The Committee agreed to consider the advantages of undertaking work at a later stage, as part of its rolling performance audit programme.

9. Performance audit programme – update and proposals

The Committee considered reports from the Director of Performance Audit:

- setting out progress on performance audits, impact reports and 'How Councils Work' series reports
- setting out a proposed programme of national performance audits which would be submitted to the Accounts Commission in June, prior to consultation with stakeholders over the summer.

In discussion, the Committee noted:

- ongoing interest in key areas such as service costs and pensions
- the potential for the proposals on workforce planning to include the extent to which councils have revised conditions of service as part of single status settlement.

Thereafter, the Committee approved:

- extending the strategic theme on managing reductions in public sector budgets to include economic growth and development
- the proposals for performance audits set out in the appendices to the report.

10. Any other business

There was no other business.

**ACCOUNTS COMMISSION**

**MEETING 14 JULY 2011**

**REPORT BY THE CONTROLLER OF AUDIT**

**UPDATE REPORT**

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**Introduction**

1. The purpose of this regular report is to provide an update to the Commission on significant recent activity in relation to the audit of local government.
2. It is intended to complement the intelligence reports to the Financial Audit and Assurance Committee, which provide a more detailed update on issues arising in local government. The most recent such report was at the Committee meeting of 12 May.

**Local government issues**

3. The Commission on the Future Delivery of Public Services chaired by Dr Campbell Christie CBE, published its report on 29 June 2011. Commission members will be having an informal discussion on the report and its recommendations following today's Commission meeting. The key findings about the current public service system in Scotland contained within the report are:
  - Unless Scotland embraces a radical, new, collaborative culture throughout our public services, both budgets and provision will buckle under the strain.
  - Inequalities account for a significant element of the increasing demands on our public services.
  - A radical change in the design and delivery of public services is necessary to tackle the deep-rooted social problems that persist in communities across the country.
  - A cycle of deprivation and low aspiration has been allowed to persist because preventative measures have not been prioritised. It is estimated that as much as 40 per cent of all spending on public services is accounted for by interventions that could have been avoided by prioritising a preventative approach.
  - There are serious shortcomings in the capacity of public services as presently organised to deliver better outcomes.
  - The public service system is often fragmented, complex and opaque, hampering joint working. It lacks accountability and is often characterised by short-termism.
  - New approaches - characterised by collaboration between organisations and partnerships with people and communities - are making a real difference and can provide positive models for the future. However, these are isolated examples.
4. The report contains twenty-eight recommendations, several of which relate to the governance and accountability landscape for public services, including specific reference to the Accounts Commission and Audit Scotland. There is a strong emphasis on community participation and the delivery of improved outcomes through a shift towards preventative action within the report's recommendations.

5. All local government accounts were received by the specified deadline of 30 June. However, Shetland Island Council's accounts were not in a suitable state for advertising as they had not submitted a separate set of accounts for their pension fund. In addition, East Lothian Council's unaudited financial statements for 2010/11 do not include the police and fire and rescue joint boards as associates in their group accounts. These boards were included in ELC's 2009/10 accounts and are included as associates in all other councils' group accounts. The issue is the subject of ongoing debate between the external auditors and the council.
6. All NHS bodies' accounts were signed off with clean audit opinions by the 30<sup>th</sup> June deadline.
7. At its meeting on 30 June 2011, the City of Edinburgh Council voted to continue with the Edinburgh Trams Project with a truncated route running from Edinburgh Airport to St Andrew Square (subject to the identification of future funding). Phase 1a of the project was originally expected to run from Edinburgh Airport to Newhaven and was expected to cost £545 million. The Scottish Government agreed to provide a maximum of £500 million towards the project, with CEC providing the balance of funding. A paper from officials outlined that the project had cost £461 million to date and that the expected cost of delivering a working tram system to St Andrew Square was £725-773 million depending on the risk allowance. An agreement between Bilfinger Berger Siemens and CEC means that unless extra funding is in place by 1 September 2011, the existing contract will be terminated.
8. Developments are being monitored as part of the CEC 2010/11 audit. Last year's audit opinion included an 'emphasis of matter' paragraph to reflect the uncertainty associated with the project.
9. Angela Leitch has been appointed as Chief Executive of East Lothian Council, replacing Alan Blackie on his retirement. Angela Leitch is currently Chief Executive of Clackmannanshire Council.
10. Following a change in his personal circumstances, David Hume will be retiring from his post as Chief Executive at Scottish Borders Council with effect from Monday 15 August 2011. He has held this post for nine years. Pending the appointment of his successor the Directors of Social Work, Resources and Education and Lifelong Learning have been asked to fulfil the responsibilities of the Chief Executive role on a monthly rotation with effect from 1 July.
11. Shetland Islands Council. Eight senior managers are to leave the council over the next few months as part of the first phase of a management restructuring process. This includes the Executive Director – Education and Social Care. Most managers are expected to have left by the end of September, but the Executive Director who is a qualified accountant will remain in post for several months to cover the Head of Finance vacancy and help address the significant budget challenges facing the council. It is anticipated that the restructuring will save the council half a million pounds a year.
12. Members will be aware that investigations are currently underway in a number of councils. These include; Aberdeen City, Edinburgh City Council, South Ayrshire and Inverclyde Council. The local audit teams are monitoring the progress of these closely.
13. Following a recent breach of data security Dumfries and Galloway Council has appointed Scott Moncrieff to undertake an independent investigation of the incident and the procedures in place for the management and control of sensitive data.

## **Parliamentary news**

14. The Public Audit Committee took evidence on the Accounts Commission's Overview of Local Government in Scotland 2010 at its meeting on the 29 June. Evidence was given by John Baillie, Chair, Accounts Commission; Fraser McKinlay, Controller of Audit and Director of Best Value and Scrutiny Improvement (BVSI); and, Gordon Smail, Portfolio Manager, BVSI.
15. The discussion with the Committee covered a range of issues, including:
  - The challenges facing councils in the context of significant reductions in available funding
  - The governance and accountability arrangements for arms-length external organisations (ALEOs)
  - Committee concerns about inconsistency of approaches to single status between local authorities
  - The sustainability of local government pensions
  - The potential impact of any Christie Commission recommendations on the governance and accountability framework for Community Planning Partnerships
  - The impact of reducing funding on councils' capital programmes
16. The Health and Sport Committee has launched an inquiry into the regulation of care for older people. The inquiry will focus on addressing one key question: 'Does the regulatory system ensure care services for older people are providing good quality and appropriate care?' To inform the inquiry the Committee is keen to receive written views on the following questions:
  - Can we be confident that the regulatory system is picking up on care services where the quality of care is poor?
  - Are there any particular weaknesses in the current system?
  - Does the system adequately take into account the views of service users?
  - Does the registration and regulatory system provide an appropriate basis for the regulation, inspection and enforcement of integrated social and NHS care in the community?
17. A listing of the membership of all Scottish Parliament Committees, updated to include details of the convenors and vice convenors is attached as appendix 1.

## **Other issues**

18. Education Secretary, Michael Russell launched an Independent Review of Higher Education Governance in June. The review will consider whether current institutional governance arrangements in the higher education sector in Scotland deliver an appropriate level of democratic accountability, given the level of public funding institutions receive. It will also consider the effectiveness of management and governance, the clarity of strategic purpose and its efficient implementation. The Review Panel's remit also includes identifying proposals for change which observe the benefits of an autonomous sector but which consider the importance of full transparency. The review is expected to conclude by the end of 2011.
19. The House of Commons Communities and Local Government Committee report on the proposal abolition of the Audit Commission ('Audit and Inspection of Local Authorities', Fourth Report of Session 2010-12, HC 763) will be published on 7 July. A briefing on this report will be brought to a future meeting of the Commission.

20. The Scottish Government has now published the responses received on the recent consultations on the future of policing and of fire and rescue services. These are available on the Scottish Government website:

- A Consultation on the Future of Policing in Scotland - Responses (<http://www.scotland.gov.uk/Publications/2011/06/15160412/0>)
- Safer Communities: A Consultation on the Future of Fire and Rescue in Scotland – Consultation Responses (<http://www.scotland.gov.uk/Publications/2011/06/14113246/0>)

### **Conclusion**

21. The Commission is invited to consider and note this report.

**Fraser McKinlay**  
**Controller of Audit**  
**05 July 2011**

**Membership of Scottish Parliament Committees (including convenors and depute convenors)**

<p><b>Public Audit Committee</b>            Convener - Hugh Henry (Renfrewshire South) (Lab)            Depute Convener - Murdo Fraser (Mid Scotland &amp; Fife) (Con)</p> <p>George Adam (Paisley) (SNP)            Colin Beattie (Midlothian North &amp; Musselburgh) (SNP)            Willie Coffey (Kilmarnock &amp; Irvine Valley) (SNP)            Mark McDonald (North East Scotland) (SNP)            Tavish Scott (Shetland) (LD)            Drew Smith (Glasgow) (Lab)            Humza Yousaf (Glasgow) (SNP)</p>	<p><b>Local Government and Regeneration Committee</b>            Convener – Joe FitzPatrick (Dundee City West) (SNP)            Depute Convener - Kevin Stewart (Aberdeen Central) (SNP)</p> <p>Ruth Davidson (Glasgow) (Con)            Kezia Dugdale (Lothian) (Lab)            Mark Griffin (Central Scotland) (Lab)            David Torrance (Kirkcaldy) (SNP)            Bill Walker (Dunfermline) (SNP)</p>
<p><b>Finance Committee</b>            Convener – Kenneth Gibson (Cunninghame North) (SNP)            Depute Convener – John Mason (Glasgow Shettleston) (SNP)</p> <p>Alex Johnstone (North East Scotland) (Con)            Derek Mackay (Renfrewshire North &amp; West) (SNP)            Margaret Mitchell (Central Scotland) (Con)            John Pentland (Motherwell &amp; Wishaw) (Lab)            Paul Wheelhouse (South Scotland) (SNP)</p>	<p><b>Education and Culture Committee:</b>            Convener - Stewart Maxwell (West Scotland) (SNP)            Depute Convener – Claire Baker (Mid Scotland &amp; Fife) (Lab)</p> <p>Clare Adamson (Central Scotland) (SNP)            Marco Biagi (Edinburgh Central) (SNP)            Jenny Marra (North East Scotland) (Lab)            Stewart Maxwell (West Scotland) (SNP)            Joan McAlpine (South Scotland) (SNP)            Liam McArthur (Orkney) (LD)            Elizabeth Smith (Mid Scotland &amp; Fife) (Con)            Jean Urquhart (Highlands &amp; Islands) (SNP)</p>
<p><b>Economy, Energy and Tourism Committee</b>            Convener - Gavin Brown (Lothian) (Con)            Depute Convener – John Wilson (Central Scotland) (SNP)</p> <p>Chic Brodie (South Scotland) (SNP)            Rhoda Grant (Highlands &amp; Islands) (Lab)            Patrick Harvie (Glasgow) (Green)            Angus MacDonald (Falkirk East) (SNP)            Mike MacKenzie (Highlands &amp; Islands) (SNP)            Stuart McMillan (West Scotland) (SNP)            Anne McTaggart (Glasgow) (Lab)</p>	<p><b>Infrastructure and Capital Investment Committee:</b>            Convener - Maureen Watt (Aberdeen South &amp; North Kincardine) (SNP)            Depute Convener – Jamie Hepburn (Cumbernauld &amp; Kilsyth) (SNP)</p> <p>Jackson Carlaw (West Scotland) (Con)            Malcolm Chisholm (Edinburgh Northern &amp; Leith) (Lab)            Neil Findlay (Lothian) (Lab)            Adam Ingram (Carrick, Cumnock &amp; Doon Valley) (SNP)            Gordon MacDonald (Edinburgh Pentlands) (SNP)</p>
<p><b>Justice Committee</b>            Convener - Christine Grahame (Midlothian South, Tweeddale &amp; Lauderdale) (SNP)            Depute Convener – James Kelly (Rutherglen) (Lab)</p> <p>Roderick Campbell (North East Fife) (SNP)            John Finnie (Highlands &amp; Islands) (SNP)            Colin Keir (Edinburgh Western) (SNP)</p>	<p><b>Rural Affairs, Climate Change and Environment Committee</b>            Convener - Rob Gibson (Caithness, Sutherland &amp; Ross) (SNP)            Depute Convener – Annabelle Ewing (Mid Scotland &amp; Fife) (SNP)</p> <p>Graeme Dey (Angus South) (SNP)            Alex Fergusson (Galloway &amp; East Dumfries)</p>

<p>John Lamont (Ettrick, Roxburgh &amp; Berwickshire) (Con)  Alison McInnes (North East Scotland) (LD)  Graeme Pearson (South Scotland) (Lab)  Humza Yousaf (Glasgow) (SNP)</p>	<p>(Con)  Jim Hume (South Scotland) (LD)  Jenny Marra (North East Scotland) (Lab)  Mark McDonald (North East Scotland) (SNP)  Aileen McLeod (South Scotland) (SNP)  Elaine Murray (Dumfriesshire) (Lab)</p>
<p><b>Health and Sport Committee:</b>  Convener - Duncan McNeil (Greenock &amp; Inverclyde) (Lab)  Depute Convener – Bob Doris (Glasgow) (SNP)</p> <p>Jim Eadie (Edinburgh Southern) (SNP)  Mary Fee (West Scotland) (Lab)  Richard Lyle (Central Scotland) (SNP)  Fiona McLeod (Strathkelvin &amp; Bearsden) (SNP)  Gil Paterson (Clydebank &amp; Milngavie) (SNP)  Mary Scanlon (Highlands &amp; Islands) (Con)  Richard Simpson (Mid Scotland &amp; Fife) (Lab)</p>	<p><b>Equal Opportunities Committee</b>  Convener - Claudia Beamish (South Scotland) (Lab)  Depute Convener – Stuart McMillan (West Scotland) (SNP)</p> <p>Clare Adamson (Central Scotland) (SNP)  John Finnie (Highlands &amp; Islands) (SNP)  Siobhan McMahon (Central Scotland) (Lab)  Margaret Mitchell (Central Scotland) (Con)  Dennis Robertson (Aberdeenshire West) (SNP)</p>
<p><b>Standards, Procedures and Public Appointments Committee</b>  Convener - Dave Thompson (Skye, Lochaber &amp; Badenoch) (SNP)  Depute Convener – Helen Eadie (Cowdenbeath) (Lab)</p> <p>Margaret Burgess (Cunninghame South) (SNP)  Bob Doris (Glasgow) (SNP)  Margaret Mitchell (Central Scotland) (Con)  Nanette Milne (North East Scotland) (Con)  Paul Wheelhouse (South Scotland) (SNP)</p>	<p><b>European and External Relations Committee</b>  Convener - Christina McKelvie (Hamilton, Larkhall &amp; Stonehouse) (SNP)  Depute Convener – Hanzala Malik (Glasgow) (Lab)</p> <p>Helen Eadie (Cowdenbeath) (Lab)  Annabelle Ewing (Mid Scotland &amp; Fife) (SNP)  Bill Kidd (Glasgow Anniesland) (SNP)  Jamie McGrigor (Highlands &amp; Islands) (Con)  Aileen McLeod (South Scotland) (SNP)</p>
<p><b>Subordinate Legislation Committee</b>  Convener - Nigel Don (Angus North &amp; Mearns) (SNP)  Depute Convener – James Dornan (Glasgow Cathcart) (SNP)</p> <p>Chic Brodie (South Scotland) (SNP)  Kezia Dugdale (Lothian) (Lab)  Mike MacKenzie (Highlands &amp; Islands) (SNP)  John Scott (Ayr) (Con)  Drew Smith (Glasgow) (Lab)</p>	<p><b>Public Petitions Committee</b>  Convener - David Stewart (Highlands &amp; Islands) (Lab)  Depute Convener – Sandra White (Glasgow Kelvin) (SNP)</p> <p>Neil Bibby (West Scotland) (Lab)  Richard Lyle (Central Scotland) (SNP)  Nanette Milne (North East Scotland) (Con)  Bill Walker (Dunfermline) (SNP)  John Wilson (Central Scotland) (SNP)</p>

**ACCOUNTS COMMISSION**

**MEETING 14 JULY 2011**

**REPORT BY THE DIRECTOR OF BEST VALUE AND SCRUTINY IMPROVEMENT**

**CHARACTERISTICS OF EFFECTIVE PERFORMANCE INDICATORS AND  
PERFORMANCE MANAGEMENT SYSTEMS**

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**Purpose**

1. The purpose of this report is to invite the Accounts Commission to endorse a set of general principles of good performance management and performance indicators to inform the wider work in local government on the development of indicators for benchmarking across Scottish councils.

**Background**

2. On 19<sup>th</sup> May the Chair and Vice Chair of the Accounts Commission met with representatives from SoLACE to discuss the progress on developing performance measures to facilitate cost and performance benchmarking across councils.
3. At this meeting it was agreed that it would be useful for the Accounts Commission to describe the characteristics it expects to see in relation to good performance indicators and performance management, given its powers to direct councils to report on and publish Statutory Performance Indicators (SPIs).

**Accounts Commission and Statutory Performance Indicators (SPIs)**

4. In the Statutory Performance Indicators 2010 Direction and Guide for the reporting year 2011/12, the Chair of the Accounts Commission made clear the Commission's position in relation to performance indicators and comparison across Scottish Councils in general by stating:

*'The Accounts Commission believes that it is of the utmost importance for authorities to have performance information that will enable them to report effectively to local communities and that will support robust decision-making about priorities.*

*We want to be able to use our statutory role to underpin performance reporting designed by authorities themselves, rather than impose an additional regime. We encourage the local government community to move forward quickly with its own performance information initiatives. It needs to implement and sustain the infrastructure that will be required to deliver an effective set of performance information. This needs to enable citizens and service users to understand how their services are performing. It must also enable comparison across authorities and over time, as required by the legislation.*

5. The Commission went on to specifically refer to the role of SPIs in the future:

*'Progress is being made towards meeting the new public performance reporting obligations, with some authorities showing commitment to developing rounded and user-friendly public performance reports. There remains, however, significant scope for further improvement, and the approach to and coverage of public performance*



*reports is highly variable. Authorities need to continue to develop reporting on the quality, accessibility and value for money of all their services as part of their Best Value duties. The Commission has decided, therefore, to maintain the terms of the 2008 Direction.*

*If significant year-on-year progress can be demonstrated, this may enable the Commission in future SPI Directions to consider requiring authorities to produce information that draws on their own local outcome indicators and benchmarking indicators. Ultimately, the Commission may be in a position to consider whether it needs to prescribe a set of specific indicators in future.'*

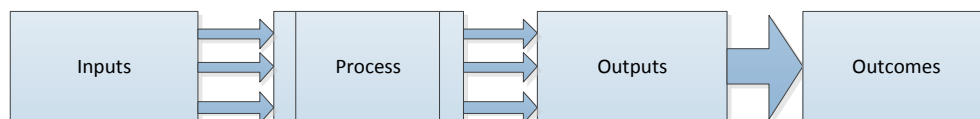
6. The Commission supports the flexibility and ownership offered by the Local Government community themselves defining their own performance indicators. The reduced set of SPIs will be maintained to provide assurance meantime, whilst the Accounts Commission continues to review progress within the Local Government community to develop their own performance measures and public performance reports. In light of their findings, the Commission will consider the future role for SPIs.

### **Performance Indicators – context**

7. There are a number of existing performance indicator sets and also several areas of development work around indicators. for example:
  - 25 Specified SPIs as set out in the Commissions 2010 SPI Direction (Appendix 1)
  - SOLACE and the Improvement Service (IS) has developed a suite of 65 local outcome performance indicators which partnerships can draw from for local performance reporting and management purposes
  - SOLACE and the IS are currently developing a set of indicators to facilitate and encourage benchmarking of costs and services
  - Single Outcome Agreements – these contain a wide range of national and local outcome indicators
  - The Scottish Government collects and reports a wide range of statistics relating to local government. Over 70 publications are produced each year. 15 relate to crime and justice; 17 to school education; 11 to community care; 11 to housing; and 3 on finance.
  - In June 2010 the Improvement Service and Consumer Focus Scotland (CFS) launched a customer satisfaction measurement tool.
  - Self assessment models e.g. Public Service Improvement Framework (PSIF) and How good is our Council?
  - The UK audit agencies produced a set of value for money (VFM) performance indicators for back-office support functions
  
8. Developments in England and Wales include:
  - In England a National Indicator set (NIS) was established in 2008 to replace the Best Value Performance indicators. In early 2010 the NIS contained 188 indicators covering most aspects of performance except costs and value for money.
  - CIPFA is currently developing detailed VFM profiles for English county councils

## Characteristics of effective performance Information

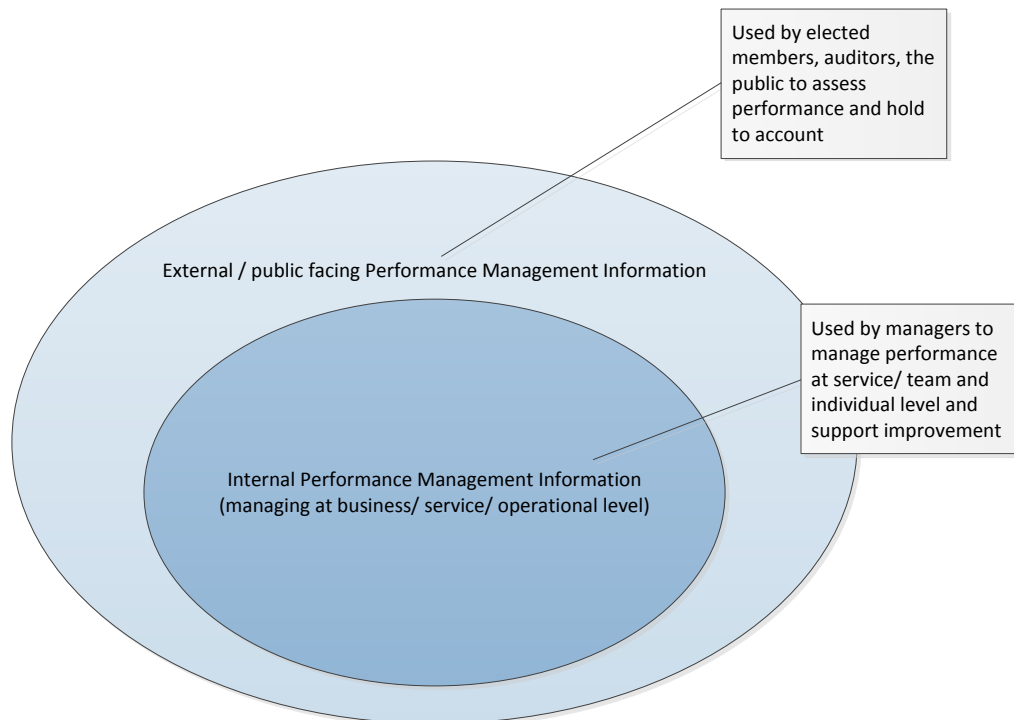
9. The Commissions identifies the following characteristics as being essential to an effective set of performance indicators.
10. Performance indicators should be:
  - Relevant to priorities, services provided and user needs
  - Measurable
  - Comparable between councils and over time
  - Accessible to the public
  - Meaningful – for example by demonstrating whether services are effective, efficient, quality and value for money
11. Performance indicators should cover 4 main dimensions:
  - **Inputs** – covering the resources committed to a service or a priority e.g. budgets, the number and cost of staff etc.
  - **Processes and activity** – covering the volume and timeliness of work e.g. time taken to deliver a service or process an invoice
  - **Outputs** – covering what services have been provided e.g. how many hours of home care are provided
  - **Outcomes** – covering the impact of what has been done e.g. how well the council improves the well being of its citizens, user satisfaction information etc.
12. The inter-relationships are shown in the diagram below:



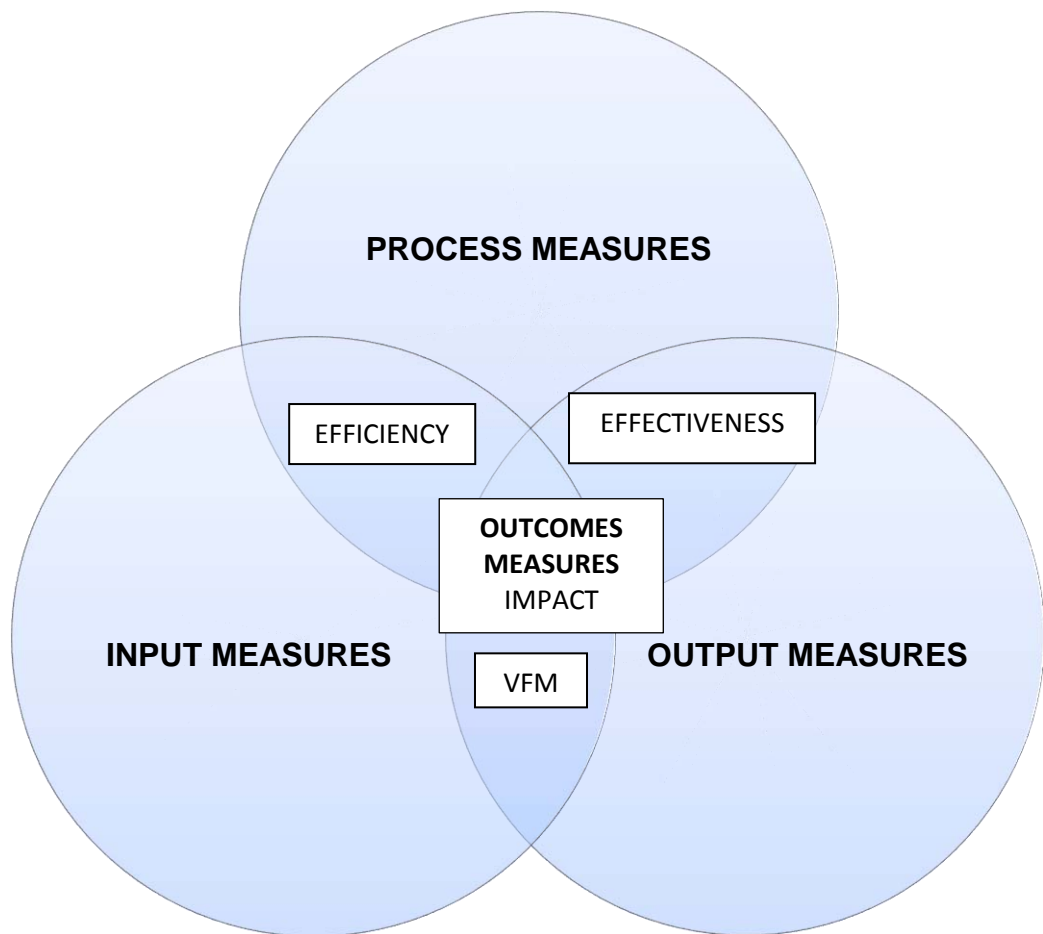
## Characteristics of effective Performance Management

13. The Commissions identifies the following characteristics as being essential to effective performance management.
14. Effective performance management uses performance information to:
  - Facilitate improved service performance and the delivery of outcomes
  - Facilitate improved corporate performance
  - Facilitate improved partnership performance
  - Provide public assurance through comprehensive, balanced Public Performance Reports (PPR)
  - Engage the public about quality of services, use of public resources and improvement priorities through PPR
  - Support focused, risk based and proportionate scrutiny

15. There are two levels of performance information important to effective performance management. The performance information in the 'inner circle' allows elected members and officers run their business effectively and efficiently. The 'outer circle' is designed to help the public assess performance and is focused on the customer and user. Clearly, councils need a blend of both and the information in both circles should be complementary.



16. Effective performance management uses performance information covering a balance of the 4 main dimensions (paragraph 11 above) of process, input, output and outcomes.
17. Process, input and output information is easier to measure, but outcome information has most value in terms of describing the impact of those processes, inputs and outputs on individuals and communities. Outcomes are more difficult to measure and frequently have long lead in times, particularly in relation to health and learning outcomes. However it is possible to 'bundle' process, input and output information to provide an assessment of impact or outcome. That is, a combination of measures can be used to assess other things as shown in the diagram below e.g. input measures (cost) and output measures (quality) can provide an assessment of VFM.



The characteristics of an effective performance management framework are also covered in a Best Value Toolkit published on the Audit Scotland website.

[http://www.audit-scotland.gov.uk/docs/best\\_value/2010/bv\\_100809\\_performance\\_management\\_toolkit.pdf](http://www.audit-scotland.gov.uk/docs/best_value/2010/bv_100809_performance_management_toolkit.pdf)

## Conclusion

18. The Accounts Commission is asked to endorse the characteristics of effective performance information and performance management described in this report.

**Fraser McKinlay**  
**Director of Best Value and Scrutiny Improvement**  
**14 July 2011**

**Accounts Commission Statutory Performance Indicators as set out in the Commission's 2010 SPI Direction**

**Councils**

**Corporate management**

SPI 1: Each council will report a range of information, sufficient to demonstrate that it is securing Best Value in relation to:

- responsiveness to its communities
- revenues and service costs
- employees
- assets
- procurement
- sustainable development
- equalities and diversity.

**Service performance**

SPI 2: Each council will report a range of information sufficient to demonstrate that it is securing Best Value in providing the following services (in partnership with others where appropriate):

- benefits administration
- community care
- criminal justice social work
- cultural & community services covering at least sport & leisure, museums, the arts and libraries
- planning (both environmental and development management)
- the education of children
- child protection and children's social work
- housing & homelessness
- protective services including environmental health, and trading standards
- roads and lighting
- waste management services

The range of information to be reported in SPIs 1 & 2 above will include achievement against the following specific indicators:

- 1 The average number of working days per employee lost through sickness absence for:
  - Teachers
  - All other local government employees.
- 2 The number and percentage of the highest paid 2% and 5% of earners among council employees that are women.

- 3 The number of council buildings from which the council delivers services to the public and the percentage of these in which all public areas are suitable for and accessible to people with a disability.
- 4 The gross cost per case for benefits administration.
- 5 The cost per dwelling of collecting Council Tax.
- 6 The income due from Council Tax for the year, net of reliefs and rebates, and the percentage of that which was received during the year
- 7 The number of invoices paid within 30 calendar days of receipt as a percentage of all invoices paid.
- 8 The proportion of operational accommodation that is:
  - in a satisfactory condition
  - suitable for its current use.
- 9 Home Care
- 10 The number of attendances per 1,000 population for:
  - pools
  - other indoor sports and leisure facilities, excluding pools in a combined complex.
- 11 The number of visits to/usages of council funded or part funded museums per 1,000 population and the number of those visits that were in person per 1,000 population.
- 12 Library usage
- 13 The number of householder and non-householder planning applications determined during the year and the proportion of each that were dealt with within two months.
- 14 Response repairs to council houses.
- 15 The number and proportion of the council's housing stock that comply with Scottish Housing Quality Standard by criteria.
- 16 The total annual rent loss due to voids expressed as a percentage of the total amount of rent due in the year.
- 17 Managing tenancy change
- 18 Housing Rent arrears
- 19 Homelessness

- 20 Domestic noise complaints
- 21 The number of trading standards complaints and advice requests received, and the proportion completed within 14 days:
- 22 The percentage of the road network that should be considered for maintenance treatment.
- 23 The net cost per premises for:
  - refuse collection
  - refuse disposal.
- 24 The percentage of municipal waste collected during the year that was recycled or composted
- 25 The cleanliness index achieved following inspection of a sample of streets and other relevant land.

### **Fire & Rescue Services**

SPI 3: Each Fire & Rescue service will report a range of information on its performance sufficient to demonstrate that it is securing Best Value in relation to:

- community fire safety
- intervention in response to emergency incidents
- staff
- equalities & diversity

The range of information to be reported will include the following specific information:

- a) Fire casualties
  - the number of incidents resulting in casualties per 10,000 population
  - the number of fatal and non-fatal casualties per 10,000 population.
- b) The number of accidental dwelling fires per 10,000 population.
- c) The average number of:
  - rider shifts lost due to sickness and light duties per fire officer
  - working days lost to sickness absence per employee for all other staff.

### **Police Services**

SPI 4: Each police service will report its performance in accordance with the requirements of the Scottish Policing Performance Framework.

**ACCOUNTS COMMISSION**

**MEETING 14 JULY 2011**

**REPORT BY THE DIRECTOR OF BEST VALUE AND SCRUTINY IMPROVEMENT**

**ACCOUNTS COMMISSION ENGAGEMENT WITH AND ASSURANCE FROM THE SHARED RISK ASSESSMENT (SRA) PROCESS**

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**Background**

1. At its February meeting the Commission received a report summarising the Best Value audit work which arose from the 2010/11 shared risk assessment process (SRA1). The paper also outlined the Commission's role in relation to the shared risk assessment process to inform the Commission's further consideration of this issue at its annual strategy seminar in March.
2. A detailed briefing on the approach taken to the shared risk assessment for 2011/12 (SRA2), including the quality assurance arrangements for the 32 assurance and improvement plans (AIPs), was given to members after the Commission's March meeting.
3. Following its meeting on the 19 May the Commission gave further consideration to the range of Best Value audit activity 2011-12 arising from the SRA refresh process and the nature of the assurance that the Commission receives on the risks within individual councils from its existing sources of intelligence (FAA intelligence reports, local government overview report, Controller of Audit updates and statutory reports). At this meeting, Commission members agreed that it would be useful for them to review a small selection of AIPs and annual audit reports, all of which are available on the Audit Scotland/Accounts Commission website.

**Context**

4. The context within which the scrutiny improvement agenda is operating has changed quite significantly since the Accounts Commission took on its initial scrutiny co-ordination and gatekeeping role in 2008. The changing financial situation for public services, structural changes to the scrutiny landscape, and the increased pace of public service reform in Scotland will require us to think again about our overall approach to scrutiny co-ordination.
5. At its meeting on the 8 June the Strategic Scrutiny Group, which is chaired by the Accounts Commission, gave initial consideration to the issues raised by this changing context and what it might mean for the scrutiny improvement agenda. The group agreed to give further consideration to these matters at a development workshop with key stakeholders planned for September. Feedback will be provided to the Commission later in the year on the outcomes of these discussions, and what they might mean for the Commission's role.



## **Purpose of this report**

6. Based on the outcomes of the Commission's May discussion, this report sets out a series of proposals for strengthening the arrangements for providing the Accounts Commission with assurance that the SRA process is leading to effective targeting of proportionate and risk-based audit and inspection activity in councils.
7. The report covers three main themes:
  - Accounts Commission assurance on the SRA process
  - Accounts Commission assurance on the Best Value audit activity which flows from the SRA process (including arrangements for reporting the outcomes of this work to the Commission)
  - The relationship between the SRA process and the scoping and management of Best Value audits

## **Accounts Commission assurance on the shared risk assessment (SRA) process**

8. The Accounts Commission has a key leadership role in relation to the SRA process. The local government scrutiny co-ordination strategic group which oversees the management of the SRA process, is chaired by the chair of the Commission and the Commission is also represented on the group by its deputy chair and the chair of the Financial Audit and Assurance (FAA) committee. The overall management of the scrutiny improvement agenda is undertaken by Audit Scotland on the Commission's behalf, providing the Commission with a key role in shaping the arrangements underpinning the SRA process.
9. The Accounts Commission's local government scrutiny co-ordination and gatekeeping role was introduced in 2008. Since that time a series of briefings have been given to Commission members on the arrangements which Audit Scotland has introduced on the Commission's behalf to deliver more streamlined risk-based and proportionate scrutiny at corporate and service level. The SRA process, which is the main vehicle for this work, is founded on the detailed audit and inspection evidence available from the local government scrutiny bodies (Audit Scotland, Care Commission, HMIE, SHR, SWIA)<sup>1</sup>, together with local self evaluation and performance evidence. It also draws on the ongoing engagement that each scrutiny body has with councils when undertaking their audit or inspection work.
10. Commission members have also been given access to all 32 Assurance and Improvement Plans (both 2010-13 and the more recent 2011-14 refresh documents) and the training material provided to local area network (LAN) leads.
11. This year we are planning to hold briefing sessions for Commission members on the planned approach for the 2012-13 SRA refresh (including the proposed quality assurance arrangements) in late Autumn/early winter 2011. This will be in advance of the 2012-13 SRA refresh process being rolled out with councils. This should provide Commission members with an opportunity to engage with and comment on the proposed approach, giving them greater assurance on how their interests in promoting and assuring continuous improvement in local government services will be reflected in the process during 2012-13.

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<sup>1</sup> For the sake of clarity and consistency the nomenclature of our scrutiny partners at the time of the most recent SRA refresh process throughout this report, rather than their new designation. For example, HMIE is used rather than Education Scotland, SWIA rather than SCSWIS, etc.

**Commission member assurance on the range and level of Best Value audit activity which flows from the SRA process (including arrangements for reporting the outcomes of this work to the Commission)**

12. The SRA process is designed to establish a three-year rolling scrutiny plan for each council in Scotland, including details of any planned Best Value audit activity.
13. The main factors which might cause a council to be selected for a 'full' Best Value audit through the SRA process include:
  - Concerns about pace of change and improvement since BV1
  - Clusters of significant risk or uncertainty concerning:
    - key outcome areas
    - corporate capacity and performance
    - service performance
14. Of these two factors, concerns about pace of change and improvement since BV1 has the clearest link with the Commission's interest in ensuring that councils maintain an appropriate focus on continuous improvement, in line with their Best Value obligations. Particular emphasis will be placed on the risks associated with an inadequate pace of change and delivery of continuous improvement during the 2012-13 SRA process.
15. The use of the two factors set out in paragraph 13 allows the targeting of 'full' Best Value audit activity towards those councils where there is uncertainty over the extent to which Best Value and continuous improvement are being secured and/or areas of uncertainty or significant risks. Where these risks are present Best Value audit work is an appropriate response, as opposed to inspection activity by one of our scrutiny partners (e.g. SHR, HMIE, SWIA).
16. Where less significant risks are identified through the SRA process a proportionate response is to undertake targeted focused pieces of Best Value-related audit activity on specific aspects of BV such as performance management, workforce planning, procurement. In most cases the issues identified through this audit work will be reported through the annual report to members rather than as a specific report to the Commission by the Controller of Audit, although the potential exists for full CoA reports to flow from this work depending upon the audit findings.
17. In some councils the outcome of the SRA process will be that no specific Best Value-related audit activity is identified as a consequence of the local shared risk assessment. In those circumstances the council is still be subject to the annual audit process, an important part of which is seeking assurance on issues of governance and accountability and gathering evidence of the council's progress with its improvement agenda. The outcomes of these pieces of audit work are reflected in the annual report to members and the Controller of Audit. These reports to members are one of the main elements underpinning the Commission's annual overview of local government report. They are also used to inform the local SRA process.
18. An important aspect of the assurance that the Commission receives from the SRA process is the provision of information on the proposed programme of Best Value audit activity arising from the SRA process. The rolling three-year nature of the SRA process means the level of assurance the Best Value audit programme offers to the Accounts Commission and the public is best considered over this longer three-year time frame, rather than simply year-on-year.

19. To help inform consideration of their role in the SRA process, in May 2011 Commission members were provided with the following information arising from the 2011/12 SRA process:
- A summary of all planned Best Value audit activity (both targeted and full Best Value audits) covering the three-year period 2011/12 – 2013/14. In future years, this report will include a clearer reference to how the pace of change and improvement since BV1 has been reflected in the proposed Best Value audit programme.
  - A summary of the planned Best Value audit work during 2011/12 that will lead to Controller of Audit reports to the Commission. That report set out:
    - details of the councils which will receive a full BV audit during 2011/12
    - a description of the nature of the risk and proposed Best Value audit response at each council
    - information on the anticipated timetable for the audit activity and its subsequent reporting to the Commission
  - A table setting out targeted Best Value related audit work that is planned to take place during 2011/12, identifying the councils concerned and the scope and nature of the planned audit activity.
20. During the May discussion it became clear that Commission members required greater assurance on the range and level of Best Value audit activity which flows from the SRA process (including arrangements for reporting the outcomes of this work to the Commission). It is therefore proposed that the information set out in paragraph 19 be submitted to the Commission for their consideration and endorsement annually, following the conclusion of each shared risk assessment cycle.
21. When discussing the targeted Best Value audit work at the May meeting, the Commission identified a potential gap in the reporting route for targeted BV audit activity, in that the more limited and proportionate scope and nature of this work means that it is currently reported locally through the annual report to members, not directly to the Commission. Commission members asked that consideration be given to introducing arrangements for routinely reporting the outcomes of targeted Best Value audit work of this kind to them.
22. It is therefore proposed that:
- The planned programme of targeted Best Value audit work be reported to the Commission each year as part of the annual feedback on the outcomes of the SRA process
  - Any emerging issues arising from targeted Best Value audit work be reported to the Commission or one of its committees as part of routine current issues reporting
  - The outcomes of all targeted Best Value audit work will be routinely reported to the Commission on an annual basis.
23. A diagram setting out how these new arrangements might work is set out in Exhibit 1.

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## Exhibit 1

### **Proposed arrangements for Accounts Commission oversight of and feedback on targeted Best Value audit activity**

#### Annual shared risk assessment (SRA) process



Source: Audit Scotland

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### **The relationship between the SRA process and the scoping and management of Best Value audits**

24. The SRA process is designed to establish a three-year rolling scrutiny plan for each council in Scotland, including when and where Best Value audit activity should take place. For that reason it is important that there is clarity about the relationship between the SRA process and the scoping and management of Best Value audits, not least because the content of each councils' Assurance and Improvement plan (AIP) is an important factor influencing the scope of Best Value audit work. The flow chart at Appendix 1 sets out the key stages of these two processes, including their respective quality assurance arrangements.
25. The scoping work for a Best Value audit will take as its starting point the outcomes from the SRA process, i.e. that a Best Value audit should take place, focusing on those aspects of either the BV corporate assessment framework, delivery of outcomes or service performance, which have been set out in council's Assurance and Improvement Plan as the proposed main scope areas for the Best Value audit. The Best Value and Scrutiny

Improvement team is represented on each local area network and therefore ensure that the potential need for a Best Value audit is considered as part of the SRA process.

26. When conducting a Best Value audit, as part of the specific BV audit risk assessment and scoping work, the BV team will review the evidence considered by the local area network when planning the audit scope. This is the 'backward' looking aspect of the Best Value risk assessment and scoping phase.
27. The BV team will also gather more detailed evidence on the proposed BV audit scope areas to ensure that the planned Best Value audit work is proportionate, risk-based and well targeted. This can involve specific pieces of desk-based analysis, preliminary interviews with officers and members and/or the observation of council committees/meetings. This allows the audit team to ensure that their proposed audit work reflects the most current situation within the council, allowing for any changes in the council's risk profile to be reflected in the scope of planned audit activity. This 'forward-looking' phase of the Best Value risk assessment and scoping activity, together with the SRA evidence, is then used to form the basis of the BV audit scope document. That document is then subject to scrutiny and challenge as part of Audit Scotland's quality assurance arrangements involving both internal and external peers prior to formal audit fieldwork taking place.

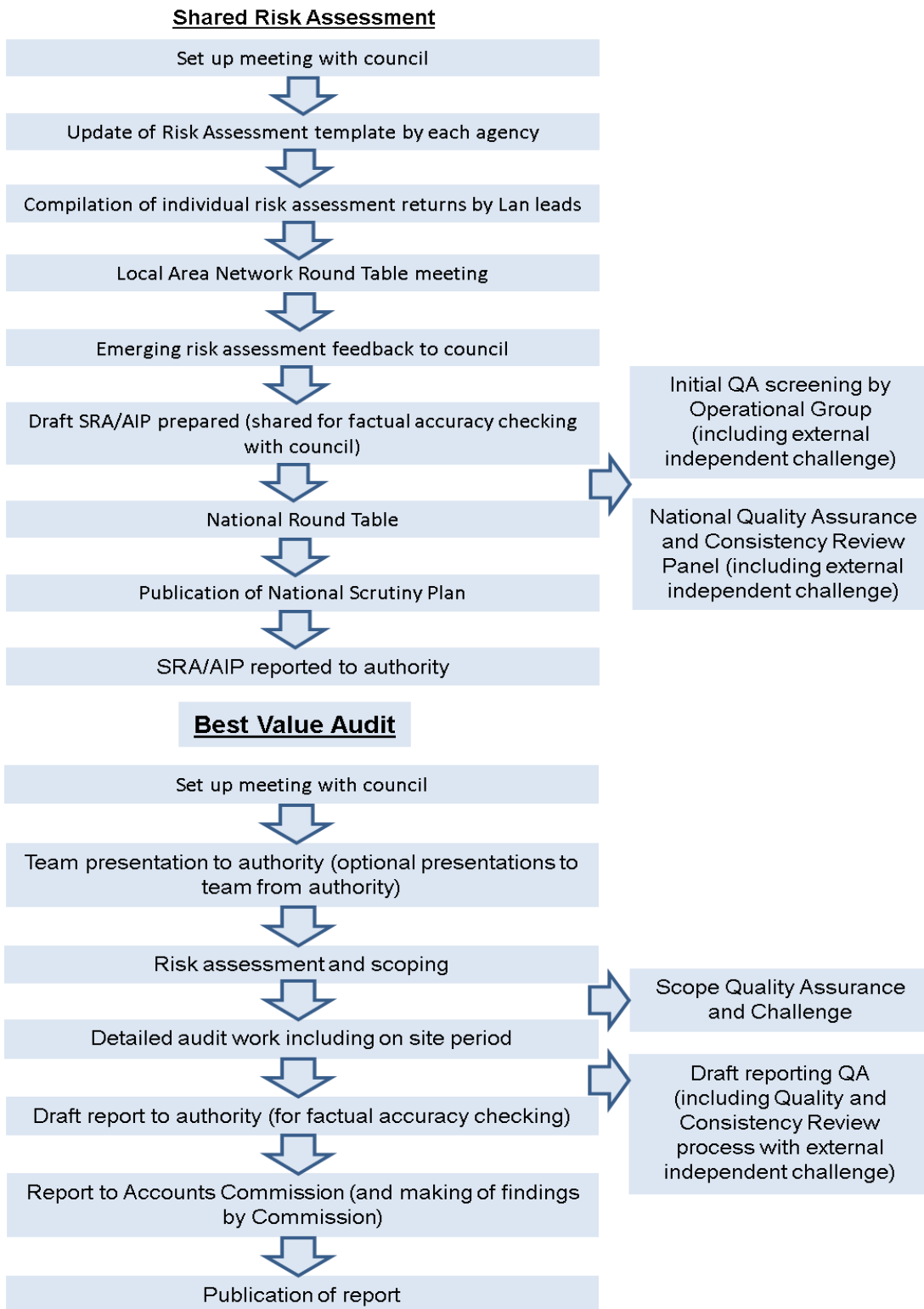
**Recommendations:**

28. The Commission is invited to:
  - (i) note the proposal to provide Commission members with a briefing on the planned approach for the 2012-13 SRA refresh (including the proposed quality assurance arrangements) in late Autumn/early winter 2011 (Paragraph 11).
  - (ii) note the proposal to provide the Commission with an annual report on the proposed Best Value audit activity arising from the SRA process and a summary of the results of that work once it is completed (Paragraphs 19 to 22).
  - (iii) note the proposed arrangements for Accounts Commission oversight of and feedback on targeted Best Value audit activity (Paragraph 23, Exhibit 1)
  - (iv) note the relationship between the SRA process and the scoping and management of Best Value audit as set out in (Paragraphs 24-27, Appendix 1).

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## Appendix 1

### The key stages of the SRA process and the scoping and management of Best Value audits



Source: Audit Scotland

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## **ACCOUNTS COMMISSION**

**MEETING 14 JULY 2011**

### **ACCOUNTS COMMISSION DIGEST**

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#### **Introduction**

1. This digest is intended to provide Commission members with background information that may be of interest.
2. This month the digest includes:
  - Further details on government activity of interest to local government
  - An outline of recent media coverage of relevance to the Commission
  - Recent publications of interest
  - A note of forthcoming conferences which may be of interest to members.

#### **Parliamentary and government activity**

3. The Controller of Audit's update report includes information on issues of most relevance to the Commission. Members may also be interested in the following matters.
4. The findings of the **Commission on the Future Delivery of Public Services** (Christie Commission) were published. John Swinney said that he supported the Commission in general, the Government will now consider the findings over the summer recess and report back after that.
5. The **responses to the consultation on the future of police services** were published. There were 219 respondents. The Cabinet Secretary for Justice stated that the Government would consider the responses over the summer and bring proposals before Parliament early in the next session.
6. **Parliamentary inquiries:**
  - The Scottish Parliament's Health and Sport committee has launched an **inquiry into the regulation of care for older people**. This will focus on whether the current regulatory system is picking up on poor quality care services and if the system is appropriate for the regulation, inspection and enforcement of integrated social and NHS care in the community. There will be a series of oral evidence sessions in September. Written evidence is invited before Wed 24 August.
  - The Scottish Parliament's Finance Committee has issued a **call for evidence regarding the Scottish Government's 2012-13 draft budget** and is seeking comments on how best to direct **preventative spending** across key public sector agencies, in order to best tackle Scotland's social problems. Comments are invited before Friday 2nd September.
7. Parliamentary statements on **school closures and building projects:**

- Following the Ministerial Statement on Rural Schools, announcing the moratorium on rural schools closures and the creation of a commission on the delivery of rural education Jackie Baillie (Dumbarton) (Lab) referenced an Audit Scotland report commented that **capacity across the school estate** should not fall below 60 per cent. The Cabinet Secretary for Education & Lifelong Learning, responded: The other side of the question is that the approach of Audit Scotland and HMIE has, of course, been to say that we need the best possible use of the investment that is made. However, there is no absolute bar to local authorities delivering education in the way they wish. Rural local authorities have particular difficulties, and it is incumbent on agencies and bodies such as Audit Scotland and HMIE to recognise them—indeed, they do so. My approach to the matter very much chimes with that.
  - Mary Scanlon (Highlands and Islands) (Scottish Conservative and Unionist Party): **To ask the Scottish Executive, in light of the proposal in the 2011 SNP manifesto to invest in new schools with projects "in every local authority area in Scotland", when it will announce which schools will be included.** Michael Russell: 37 school building projects have already been announced as part of the Scotland's Schools for the Future programme, including at least one project in every local authority area in Scotland. We will commence discussions with local authorities shortly to identify at least 18 more school projects for the third phase of the school building programme, focusing on those in the worst condition and suitability categories.
8. There were various parliamentary questions and statements regarding **care services and scrutiny, including** references to the findings of the **AC/ AGS report on Community health partnerships and plans to integrate health and social care.** Also these responses:
- Figures released in response to a Freedom of Information request to **SCSWIS**, show that 12% of care homes in Scotland were found to be "unsatisfactory" or "weak" in at least one area. Scottish Labour's Shadow Cabinet Secretary for Health, Jackie Baillie MSP, described the figures as "deeply worrying" and said they come at the same time as the budget for SCSWIS is being cut by almost 25% and it was "vitally important the inspection regime is not only robust but properly resourced".
  - Mary Scanlon (Highlands & Islands) (Con) said MSPs should receive inspection and follow-up inspection reports as quickly as Ministers and Nicola Sturgeon agreed to speak to SCSWIS about this.
  - Written Answers: Jackie Baillie (Dumbarton) (Scottish Labour): **To ask the Scottish Executive: how it will deliver a single integrated system of health and social care; when it will deliver a single integrated system of health and social care.** Nicola Sturgeon: We are committed to delivering a single integrated system of health and social care that will improve outcomes for people. This will build on our plans for reshaping care of older people and the work we have carried out on the Integrated Resource Framework over the last two years. We will discuss our plans with all relevant stakeholders over the coming weeks and months.
9. Parliamentary questions and responses on the **structure of the police:**
- James Kelly (Rutherglen) (Scottish Labour): **To ask the Scottish Executive:**



how it will evaluate the savings that would be generated from (a) **reducing the number of police forces** and (b) **creating a single national police force**; whether it will evaluate the (a) costs and (b) savings of reducing the number of police forces to (i) two, (ii) three, (iii) four and (d) five.

- Kenny MacAskill: A team of policing professionals is working under the auspices of the sustainable policing project to examine the evidence for reform. Building on this work, we are developing an outline business case setting out potential costs and savings of each option.
- Members' Business: **Police Complaints Commissioner for Scotland** – Wednesday 29th June 2011 Motion regarding the proposal to transfer the role of the Police Complaints Commissioner for Scotland to the Scottish Public Services Ombudsman (SPSO). The Cabinet Secretary for Justice, Kenny MacAskill, apologised for the uncertainty caused by the speculation but stressed the need to take time reviewing the policing landscape. He said the Scottish Government was “open-minded” on the issue and confirmed that the future of the PCCS would not be decided until the future structure of policing was confirmed.

10. There were parliamentary questions and answers regarding the **Edinburgh trams** project.

- The First Minister welcomed the suggestion of a public inquiry into the Edinburgh trams project, 23 June
- Infrastructure and Capital Investment Committee, Wed 29 June. Alex Neil said the project was the responsibility of the local authority and TIE and said he had made it clear that the Scottish Government had no extra money to invest in the project and a “well worked-out plan” was required, with proper research and reliable figures. He reiterated that there was no spare capital for the Government to invest in the trams.

11. **Clyde Valley Review of Joint Working and Shared Services.** John Swinney stated: The Scottish Government has met regularly with representatives of the Clyde Valley Partnership most recently on 18 May 2011. Eight local authorities agreed to participate in the Clyde Valley Review of Shared Services. They are City of Glasgow, East Dunbartonshire, East Renfrewshire, Inverclyde, North Lanarkshire, Renfrewshire, South Lanarkshire and West Dunbartonshire. The Clyde Valley Partnership is pursuing a range of workstreams and all eight local authorities continue to participate.

### Other issues

12. The SNP's Callum McCaig has been named the **new leader of Aberdeen City Council**. Former leader, Liberal Democrat John Stewart, is now deputy leader.
13. **Elections:** The SNP's Sandy Turner won the Bo'ness and Blackness by-election in **Falkirk**; Fiona Robertson (Independent) has been elected as a Councillor for **The Highland Council** following the Tain and Easter Ross by-election; The SNP's Gordon Townson won Airyhill, Broomhall and Garthdee by-election in **Aberdeen City Council**; Labour's Tom McAughtrie won a **Dumfries and Galloway** council seat; The Labour Party won the **Inverclyde** by-election.
14. The **Scottish Social Services Council** has commented on the “**unacceptably poor levels of care**” emphasised by the media recently, stating “high calibre,

skilled care workers are a must, not an optional extra” and that measures were already in place in Scotland, including a requirement for all care home workers to be registered with a regulator by 2015.

15. **COSLA has joined Chief Fire Officers and Fire Conveners in supporting a regional Fire and Rescue model for Scotland consisting of three or four services**, as an alternative to a proposed single service. COSLA’s President said the option was “a real alternative to what seems up until now to have been the conventional wisdom of a single service model being the only possible way forward”.

#### **News summary 8 June – 5 July**

16. There has been coverage in the last month of the following Accounts Commission reports:
  - **How councils work series: ALEOs report:** Warning to councils of the risks regarding arms-length organisations (Aleos), as authorities are increasingly using them to fend off budget pressures. Herald 17 June/ also covered by Scotsman, Public Finance, Radio Clyde – with clips from interview with Gordon Smail, Evening Times, local news websites. Comment from Unison
  - **AGS AC Community health partnerships report:** Letter from Institute of Healthcare Management defending CHPs against the criticism, says it is evident that CHPs could and should do more but their relationship with local authorities is more complex. “Against a very mixed picture across Scotland at the beginning, CHPs have delivered much through the development of partnership working and are paving the way for greater integration. Given that CHPs are largely coterminous with local authority boundaries now, maybe we should await the outcome of the Christie Commission before looking to wholesale restructuring as the answer...” Herald 9 June/ “In the wake of a report which was critical of the community partnership system, leading figures behind the Inverclyde Community Health and Care Partnership have leapt to its defence” Greenock Telegraph/ News story – also a feature looking at Highland and Western Isles CHPs. West Highland Free Press
  - **Strathclyde Police Best Value report:** A £1.3 million body set up to scrutinise Scotland’s largest police force has been heavily criticised by Audit Scotland. Mention of the Accounts Commission’s meeting. Herald 16 June/ Audit Scotland has said Strathclyde Police Authority had been inconsistent and there was a lack of clarity about its role. Evening Times
  - **Audit Scotland report on housing benefit processing at Aberdeenshire Council:** “Officials have vigorously defended their record following a critical report on the local authority’s handling of housing benefit claims” P&J 10 June/ An Audit Scotland report has exposed Aberdeenshire Council’s benefits service as the second slowest and the second most expensive in Scotland. Evening Express
  - The Institution of Civil Engineers published its State of the Nation report, which warns that significant investment is required in transport, waste, energy and flood risk management. The report refers to the recent **Audit Scotland report on roads maintenance**. 17 June There were further mentions of this report in various news articles, including “The repairs backlog for Scotland’s roads has soared by £200million and may top £2.6billion.” Daily Mail, Record 27 June
  - **Aberdeen City Best Value report :** “A report from the Social Care and Social Work Improvement Scotland (SCSWIS) concerning the running of social care

services in Aberdeen has highlighted several areas of positive growth, which were exposed as unsatisfactory in an Audit Scotland report three years ago” Evening News

### Other news issues:

#### 17. **Christie Commission findings** and related articles:

- “Scotland's public services will "buckle under the strain" of reduced budgets unless a culture of mutual support is developed.” And “the report also claims Audit Scotland should be given a stronger remit and calls for the functions of the **Auditor general and the Accounts Commission** to be merged.” Herald 28 June/ Some areas are urging the Scottish government to adopt the proposed reforms. Scotland on Sunday/ Report will today call for the break-up of the bureaucratic empires governing health and social care, having concluded that Scotland's public services are "patchwork", "outdated" and "producer-led". Scotsman 29 June/ More than a third of public cash in Scotland is spent on social problems which could have been prevented in the first place. BBC/ Public services in Scotland are facing their most serious challenge since the welfare state was created and reforms must begin immediately. Herald 30 June/ Scotland's public services are "rife" with inefficiencies and have failed to address the inequalities in society. P&J 30 June/ Almost half of taxpayers' money in Scotland is spent fighting the country's health and social problems such as obesity, alcohol abuse and violent crime. Daily Telegraph 30 June/ 'Once-in-a-generation' chance to fix broken public services. Scotland's public services need wholesale restructuring despite the billions which have been poured into them since devolution. Times 30 June/ Ministers have "no excuse" for not leading radical reform of Scotland's public sector in the full knowledge that failure to do so will leave them bankrupt. Scotsman 30 June
- **COSLA's Presidential Team** said the report laid out “*a journey that local government is both willing and able to travel*” adding that the organisation would move forward “*immediately to do what we can at our own hand to act in the way that the commission suggests.*”
- The President of **ACPOS** welcomed the report, which he said “*must now form part of the continuing debate on the future of policing in Scotland.*” He added: “*In collaboration with partners in the other emergency services, and in local and central government, ACPOS is ready to embrace change and to continue delivering the outstanding police service which the people of Scotland expect and deserve.*”
- **UNISON** welcomed the report's recommendations to retain Scotland's partnership approach to public services and the emphasis it places on integration of services and said that public sector staff are key to public service reform and called for the empowerment of public sector workers to make real changes.
- **SCVO** welcomed the report's emphasis on putting people first, and the preventative approach.
- Opinion article about best value in local government. Mentions of **Audit Scotland's** role in auditing, also advocates the **Christie recommendation to extend the best value duty to all public services**. “The Christie Commission has recommended granting more powers to public audit bodies such as Audit Scotland to allow for more efficient auditing and greater results” Scotsman 2 July. Article by Ann Faulds (*Partner and head of local government at D&W/ ex-Accounts Commission member*)

18. **Cosla's** chief executive said that senior managers across the Scottish public sector are blocking long term reform of services that are needed to cope with shrinking budgets and spiralling demand, including shared services and preventative spending. Sunday Herald, Scotland on Sunday/ The rising demand for public services is "killing" Scotland, and dwindling resources should be directed at those in greatest need, according to Rory Mair. Article & Editorial. Speaking at The Scotsman conference the chief executive of the Convention of Scottish Local Authorities, made a compelling case for targeting public service on the poorest in our society and questioned the idea of universal benefits in difficult economic times. ...." He said a gap of £3billion is emerging between the cost of projected demand for local authority services and budgets. Scotsman 21 June
19. Scots are prepared to accept that public services have to be targeted at those in most need, a Citizen's Jury survey by **PwC** has indicated. Scotsman 22 June
20. "An independent report led by the Labour MP Graeme Allen will shortly be published which will explain the benefits of early intervention in the lives of children." Sunday Times
21. **The Auditor General** has warned soaring costs could spell the end of free personal care and said serious consideration needs to be given to people paying a contribution. Yesterday Cosla claimed means testing is looming unless more money can be found to keep the service free. The cost is set to rise to over £1billion a year over the next two decades with up to 1.3million people eligible. If means testing were introduced or the eligibility raised to age 75 this would keep the annual costs to £400 million. An English review yesterday ruled out making care in England free as it would be too expensive. Daily Mail, herald 5 July
22. General articles related to **Shared Services**:
  - **Unison** has claimed that council schemes to modernise the public sector, such as sharing back office functions, would be detrimental to the quality of frontline services and are not a long-term solution to rising costs. Herald 11 June
  - More than half of all councils have taken outsourced services back in house, or are considering this step, a survey for Unison has found. The main reasons were improved efficiency, dissatisfaction with contractors' performance and a desire for easier 'joining up' of council services, according to the UK-wide survey, carried out by the **Association for Public Service Excellence**. Public Finance 24 June
  - Key policy formers who provide services such as education and social care have backed calls for mergers across council borders. "Influential figures from local government and business, designers, analysts and community representatives overwhelmingly supported combining services across the country's 32 councils while keeping local control and identity, the Big Event conference in Edinburgh heard." Herald 24 June
23. **Clyde Valley review** articles:
  - "Scotland's councils should merge in all but name to address the squeeze in public finances." Iain Robertson, ex-leader of West Dunbartonshire Council,

chaired the Clyde Valley Review. He said he doesn't mean re-organising boundaries, rather working together operationally by sharing services. Herald 23 June, article & editorial/ Letter from West Dunbartonshire's council leader: "Cllr Robertson does not speak for the council or the SNP", says the council is concerned that merging could have a disastrous effect on the area because of job losses. "Council has gone from strength to strength with Audit Scotland praising the new leadership, the introduction of clear political direction and our relationship with staff" Herald 24 June

- Eight councils covering a third of Scotland's population have agreed to consider proposals to share services including waste management, health and social care, social transport and support services. The Clyde Valley Councils partnership will meet again in the Autumn once each council has considered options within the plan. BBC 14 June

#### 24. Articles relating to **Glasgow Commonwealth Games:**

- **Glasgow 2014 Ltd:** sustained coverage of events surrounding the resignation of the head, John Scott. It was initially reported that he had highlighted to the board a failure to declare a gift. It was later reported that a whistleblower, possibly from PwC, did this and that the gift was tax advice from proposed supplier PwC.
- SNP ministers were last night accused of helping to cover up the events. Sources claimed the 'gift' was a failure to declare accounting advice. Daily Telegraph, Times, Daily Mail, Star, Scotsman, Record 29 June/ gift register released BBC 29 June
- PricewaterhouseCoopers had a two-year contract with Glasgow's Commonwealth Games organisers before the resignation of the 2014 chief. It refused to confirm or deny it was the firm that gave free tax advice to John Scott. Claims from insiders that a third party raised the issue as a whistleblower but Glasgow 2014 denied this. Glasgow City Council and the Scottish Government have refused to name the firm or the offer. Commonwealth Games Federation chief exec joined called for full disclosure. Herald 30 June
- "...Resignation comes amid nervousness about the costs of the Games, which have escalated steadily since the initial projections...budget of £298 million supposedly already spiralled to over £500m...reports yesterday suggested a whistleblower from PwC...also under scrutiny is the response of Glasgow 2014's PR department which has retreated behind the technicality that as a private company there is no obligation to respond to FOI requests..." Article also talks about the financial projections and miscalculations. Scotland on Sunday
- The new head of the Glasgow 2014 Commonwealth Games said the speedy action taken shows the organisation means business.. Sunday post
- Senior councillors are planning to investigate the sudden resignation of Glasgow's Commonwealth Games boss, amid growing unease over the lack of information and conflicting accounts about his exit. Herald, Record 4 July
- Article: "The chairman of Glasgow's Commonwealth Games has launched a ferocious defence of the organisation in the wake of its chief executive resigning, dismissing conspiracy theories about John Scott being forced out as rubbish" He says there is no need to change legislation to make Glasgow 2014 divulge info under FOI as the body is already accountable, and giving out details would put off sponsors. Editorial – says that the Information Commissioner has proved that he is very capable of taking the right decision

about suppressing commercially sensitive data when necessary. Herald 5 July

- In 2009 Audit Scotland condemned plans for the budget for the games as “extremely optimistic”, many are concerned that the project will continue to go over-budget.” Article & editorial. Article leads on position with Aleos and FOI – argues for Scottish Government to include them in amended FOI legislation. Opposition parties are pushing for this and a motion is to be lodged on Mon. Sunday Herald/ “There are growing fears that the 2014 Glasgow Commonwealth Games will spiral over-budget as several flaws in the organisation handling the games have been revealed. This comes following a 2009 Audit Scotland report which warned of such potential happenings. The project is estimated to cost over £500 million by its completion.” Daily Mail 2 July,
- Construction work starts to build the athletes' village. BBC, Evening Times 8 June/ The BBC has bought the UK rights to broadcast the 2014 Commonwealth Games. 1 July

25. Articles relating to other **arms length external organisations:**

- Several of **Glasgow's** arm's length organisations are to be wound up or merged, saving hundreds of thousands of pounds, with further cuts to the pay of councillors sitting on outside bodies.” ‘It is also believed that several chairs of ALEOs will need convincing to stay in their posts once the payments have gone.’ Herald 15 June
- **Edinburgh/ Lothian Buses:** “A bus boss landed a £130,000 payout after losing his job at a council-owned firm” Council's annual accounts also show that tram project director is the highest-paid city transport figure..Lothian Buses was described as a "high risk" that is "showing early signs of failure" by one commercial credit check company ....." Sun 21 June, Evening News
- Former Managing Director of **Sport Aberdeen** is suing the council for £500,000 after a dispute over a disciplinary hearing which led to his dismissal Evening Express, P&J 20 June, Scotsman 21 June
- The chief executive of **The Festival City Theatres Trust**, set up by Edinburgh City Council to run the King's and Festival Theatre, has resigned. Concerns over the council's lack of control. Ongoing review may lead to the council bringing the management of two theatres back in house or a new trust to run all the theatres may be set up. Scotsman 17 June

26. Articles relating to the completion of the **M74 motorway project:**

- Green MSP has attacked Transport Scotland's claim that the M74 was completed early and under budget. It is reported to have cost £692million in total, substantially exceeding its original £245million budget, and was scheduled to open in 2008. Funding came from **Glasgow City council** and Transport Scotland. Sunday mail/ The five mile motorway project raises important questions as to why 'Scotland is now almost inured to public projects such as this running massively over budget and being delivered years late'. Mention of Audit Scotland. Scotsman 27 June
- Ministers said it was months ahead of schedule and up to £20 million under the original tender. Audit Scotland's 2008 report estimated the total bill including cost of land at £692million. Daily telegraph 29 June/ Times, Daily Mail, Scotsman, P&J 29 June
- **Glasgow/ Renfrewshire/ South Lanarkshire:** Minister said the project was well –planned, worked closely and effectively with Glasgow City, South

Lanarkshire and Renfrewshire Councils. STV, BBC, herald, Scotsman & other media coverage 15 June

27. **Schools closure** related articles include:

- Closing rural schools simply to save money is illegal, Cabinet Secretary for Education & Lifelong Learning said, P&J 10 June
- **Cosla** rejected a government call for a year-long moratorium on closing rural schools. BBC, Times, Sun, Scotsman, Record, P&J, Courier 14 June/ After Cosla's comments, the Cabinet Secretary said he wants talks BBC 14 June
- Scottish Government spokesman said it was "absolutely clear that something needed to be done", adding that the Commission on the Delivery of Rural Education "will consider all the issues surrounding rural education, and a moratorium on proposals for the next 12 months will ensure it can work effectively and fairly". He also noted that the proposals had been "welcomed by all sides" in the Scottish Parliament last week and said the Scottish Government "wants to work with COSLA and others on this issue, and to move forward in a spirit of partnership".
- Scotland's Education Minister was last night accused of bringing pressure on his local council (Argyll & Bute) after it shelved a programme of school closures. Daily Telegraph, Times, herald, Scotsman, Courier, P&J 15 June/.TESS
- **Shetland Islands** Council has agreed to the Scottish Government's request to shelve school closures for a year.Scotsman 16 June, / **Angus council** has criticised calls by the Education Secretary for a voluntary halt to the closure of rural schools. The council has said decisions on school closures are best taken by local authorities who should have independence to deal with the issue. Herald 17 June/ **Highland** Council has halted consultations on the future of rural schools. Scotsman 24 June
- Savings that are not made through closing schools in **Aberdeenshire** will have to be met elsewhere in the service, the council's director of education has stated. The local authority has committed to making cuts of £2m through rationalisation of school property in 2012-13.P&J 17 June

28. General **Education** related articles include:

- The cost of building or refurbishing 10 schools in **Aberdeen** has been put at about £478million - four times the value of the buildings on completion.P&J 24 June
- Work will start within weeks on a £5million upgrade of **Glasgow's** most rundown primary schools.Evening Times 21 June
- **Glasgow City** Council:Concerns are raised after calls for all probationer teachers to be put on half pay. BBC 9 June/ The **Highlands** could face a supply teacher crisis under a new deal that sees them working on almost half pay for the first week of any contract. P&J 22 June
- **EIS**, has accused education bosses of putting cost-cutting before children over their plans to shake up secondary school management. Evening News 21 June
- "The SNP group at **Highland** are launching a bid to set up a review of primary education that is based on educational needs and not budget cuts" P&J 17 June

29. **Care services** related articles:

- 1 in 10 Scottish care homes were ranked weak or unsatisfactory in a report by **Social Care and Social Work Improvement Scotland**, which is facing cuts of 25% by 2014/15. Scotland on Sunday, Sunday post
- Three-quarters of all Scottish care homes owned by **Southern Cross** have had complaints upheld in the past five years. herald, P&J 10 June/ **Southern Cross** has agreed a deal with its landlords under which no care homes will be closed until at least October. BBC 14 June
- North-East residents of Southern Cross have been assured that they will not be made homeless even if the firm sells off some of its properties. Southern Cross reportedly plans to pull out of 47 homes in the short term and a further 85 by 2016, while also cutting 3,000 of its 44,000 staff. Evening Express
- The chair of the **Scottish Human Rights Commission** has raised concerns about care for elderly people, claiming that quality of care may have been reduced to cut costs.. Courier 11 June
- Health Secretary Nicola Sturgeon is being urged to introduce tighter regulation of care homes and make inspections more thorough in the wake of the scandal caused by the Elsie Inglis Nursing Home. Evening News., Evening Times
- England: Fourteen agencies missed opportunities to save a three-year-old boy who was killed by a couple who were meant to be caring for him, a report has found. A serious case review by Wolverhampton Safeguarding Children Board said staff may have been "overburdened". About 60 recommendations were made. BBC 23 June
- Scottish councils owe more than £20 million to pensioners for unlawful food charges. Sunday post, DailyMail 4 July/ Free personal care for the elderly is fast becoming unaffordable and charges may have to be introduced, local government leaders have warned. Scotsman 4 July
- **Consumer Focus Scotland** and **Community Food and Health Scotland** have published a joint report entitled Meals and Messages which shows that the help available to vulnerable old people living in their own homes varied across Scotland and that some local authorities were unable to give precise details about their food services.

30. **Strikes** were held across the public sector in protest at **pensions** proposals, Articles related to this include:

- Widespread disruption to public services is expected in Scotland today when about 30,000 union members stage a one-day walk-out. Times 30 June/ Scotland faces the biggest public sector shutdown in a generation today as thousands of workers take strike action over the Government's cuts to their pensions. Record 30 June/ The National Audit Office reported that the changes made to pension schemes in 2007-08 are projected to stabilise the long-term costs to around their current levels as a proportion of GDP. Guardian 30 June
- Unison general secretary has warned that local government pension schemes are risking collapse, with 20% of public service personnel having already opted-out due to increased contribution rates, inflating the likelihood of a double-dip recession. Times 25 June
- "Finance Secretary John Spinney yesterday condemned UK government plans to claw back a £9 billion pension deficit by increasing the contributions made by public sector workers." Scotsman, herald, Sun, Record, P&J 23 June



- A plan to create a single local government pension fund for the whole of Scotland is to be abandoned after it emerged that the expected efficiency savings would not materialise. Holyrood 27 June

31. Articles relating to **waste management, procurement, council tax collection, housing and roads** include:

- Scotland's largest cities are failing to meet the Government's target for recycling waste. New figures. Herald 4 July
- "Cash-strapped councils plan to spend more on recycling - but cut the amount spent on Scotland's crumbling roads Daily express 30 June/ "Spending on repairing Scotland's crumbling roads is set to be slashed yet again - despite a record £2.6 billion maintenance backlog." Article & comment. Daily Mail 30 June, Courier
- Scotland's public sector bodies could save up to £1 billion over the next five years by joint procurement of computer systems, according to an independent review. Scotsman 23 June
- Scotland's local authorities have failed to collect more than £1 billion in unpaid council tax.. Daily Mail, Daily express, Sun, herald, Record, P&J 22 June
- The **Scottish Empty Homes Partnership** estimates the cost of refurbishing an empty home is between £6000 and £25,000, compared with the average cost of a new-built home in Scotland, at £100,000. Evening news

32. References to the **police and fire and rescue restructuring debates** include:

- The **Scottish Police Federation** voted overwhelmingly to oppose plans for a single national police force. Daily Mail, Herald, Record, P&J 21 Apr
- Budget cuts mean Scotland's police forces must be reformed if the country is to maintain extra police officers on the beat, according to the Justice Secretary. Evening Times 8 June/ Justice Secretary claimed yesterday that opponents of plans to create a single police force have yet to make their case. P&J 29 June
- **Cosla** has accused the Scottish Government of being selective in the views it has taken on board in a consultation on merging the country's eight forces into one. P&J 17 June/ Cosla has expressed fears that a national Scottish police force would be subject to direct control from ministers, specifically Justice Minister P&J 18 June
- **APCOS** has called on the Scottish Executive to work with the police service to create a realistic timescale for policing reform . Police professional
- A single police force in Scotland will be the sensible way forward to continue providing the maximum number of police officers as part of a balanced workforce, according to **ASPS**. Police professional
- **Grampian's** chief constable has hailed his force as the best in the country and warned a shake-up of policing could damage the work his officers have done in their communities. P&J 2 July
- Scottish ministers have claimed support for a single police force and single fire service in Scotland, despite criticism of plans to reform the services. A consultation on the proposals on single police force, has won backing from senior police officers and the **Fire Brigades Union**. However, of the 219 responses, only 22 backed a single force, 59 were in favour of the status quo and 45 backed a regional structure of three or four police forces. Daily Telegraph, Daily Mail, Scotsman, P&J 22 June/ **Grampian**: "The north-east's

fire chief has warned that dozens of jobs could be lost and public safety jeopardised if the Scottish Government backs a shake-up of the service” P&J 23 June/ Fire chiefs in Scotland claim reducing the number of brigades to three or four would free up at least £30million a year without compromising public safety.P&J 1 July

33. **Other police and fire and rescue service issues** include:

- A police call centre is to begin taking out-of-hours calls made by the public to a local authority. Operators at **Central Scotland Police**'s telephone response service will begin fielding calls for Clackmannanshire Council later this year. Force managers are also in talks with **Falkirk and Stirling councils** about providing the same service. Shared service will reduce costs and it will be better for people ringing the council as they can report problems in just one phone call. BBC 4 July
- **Acpos** has claimed that Blue Light Centres, where staff take 999 calls for all three emergency services, should be created across Scotland, claiming it would save money and increase efficiency. Scotland on Sunday
- **Strathclyde Police Authority**: “six councillors jetted to Islay on a £3000 junket to open a police station run by just five cops”. “Chief constable Stephen House, fire chiefs and social workers also there. Organised by Strathclyde Police Authority. The Sun 4 July
- **Strathclyde Police/ Glasgow**: A scheme to tackle gangs has almost halved the level of violent offending, according to police. Herald 4 July, Courier 5 July, BBC TV Reporting Scotland 4 July
- The Scottish police service saw increased officer numbers in the first three months of 2011. Police professional, P&J 8 June , BBC
- The wages of top-tier policemen have been made public, Evening News/ **Lothian and Borders Police** officers received almost £2 million in bonuses in the final year before the payment scheme is scrapped. Evening News
- Police forces have been handed around £1.5 million of cash taken from criminals despite a high-profile drive to use it for community causes. Scotsman 29 June
- “A leading member of the **Tayside Joint Police Board** has warned that crime in the region “will undoubtedly rise” despite new figures which show that crime figures are at a 10-year low.” Courier 30 June
- “Thousands of pounds is being “wasted” every day in rent for purpose-built new fire service buildings which are lying empty, union leaders have claimed.” Scotsman 13 June
- Plans to raise fire fighters’ pension contribution rates could cost £210million if fire fighters opt out, as the **Fire Brigades Union** predicts. Evening News
- **Grampian**: The number of fire deaths more than doubled last year in contrast to the downwards national trend, new figures show. P&J 22 June
- Fire-fighters in the **Highlands** have claimed that around half of their call-outs are false alarms, costing £2 million a year. Sunday Mail

34. There was extensive coverage in local and some national media relating to the **Edinburgh Trams Project**. At a full council meeting on 30 June the council decided to proceed with the project, as far as St Andrew Square. Articles included:

- It is thought the council will pursue a line running from the Airport to St Andrew’s Square, a move which may require £200 million more to be

borrowed" Scotland on Sunday, Herald 11 June/ About half of the workforce at **TIE** are facing redundancy.. Times, daily Mail, Daily express, Scotsman, P&J, Courier 11 June, Evening News

- "First Minister has pledged his support to an investigation of the tram scheme, despite concerns that this will add to the project's pre-existing delays and expenses. It will be carried out either by parliament, Audit Scotland or as a public inquiry" herald 25 June, Sunday herald, Evening Times, Evening News
- The council leader said spiralling costs have not been exceptional, were "a small glitch" and the contract as it was set up was not fit for purpose. Also said discussions would take place on borrowing funds to meet the shortfall of any eventual cost, but pledged that consequences for council revenues would not impact on the city's essential services. BBC 27 June
- The Scottish Government has ruled out providing extra funding for the trams. Scotsman 30 June
- Councillors voted to continue the trams project as far as St. Andrew's Square, Scottish Government has pledged to give no more money to the project, leaving Edinburgh City Council to raise over £200 million independently in 2 months. It is foreseen that a commercial tram service could be operational by 2014. Daily Telegraph, Times, Scotsman, herald 2 July, Evening News, Evening Times

35. The following is a limited selection of some other issues being covered in relation to individual councils and other organisations:

- The chief executive of **Aberdeen City** Council spearheaded a move to shelve the blueprint for the future of services in an effort to show workers that the authority has changed and listens to their concerns."P&J 30 June,. BBC
- **Aberdeen City** Council is moving staff to its new HQ. £65 million renovation of the building reportedly came in under budget and on schedule. Evening Express/ P&J 11 June/ Evening express
- **Aberdeenshire** Council has plans for its new area headquarters. P&J 23 June/ 45 of **Aberdeenshire** Council's 98 offices could be closed to save £5.4 million. No reduction in staff numbers. Evening Express, P&J 13 June
- **Aberdeenshire** Council fears it may not be able to meet new guidelines for homeless people, claiming expectations are unrealistic. It has invested £4 million in new emergency housing for homeless people." Evening Express
- Scottish awards for Business Excellence: **Clackmannanshire** Council has been named Recognised for Excellence winners. Courier 30 June
- **Dumfries and Galloway** Council has apologised to staff after it gave out personal data which was then published on the internet.BBC 9 June, daily express/ will carry out an inquiry. BBC 14 June
- **East Lothian** and **Midlothian** and councils have agreed to share education and children's services. TESS
- **Edinburgh**: Lord Provost used his casting vote to defeat a call for council leader and deputy to issue a public apology over The Gathering. Evening News/ Both cleared of lying to parliament" BBC 24 June
- Finance Secretary's confirmation of extra cash funding for **Edinburgh**. He had said the Scottish Government would go ahead with its plan to set a funding floor for local authorities so that no council receives less than 85 percent of the average. Evening News 21 June
- City leader called for more of the business rates raised in **Edinburgh** to remain in the Capital. Evening News

- Opposition councillors in **Fife** will make another attempt to halt moves towards privatising the region's residential care, Courier 15 June/ "Alex Salmond gave his personal backing to decision to privatise care home provision" Courier 13 June
- Review of **Fife** Council's 10-year capital spending plans has helped close a £127 million gap. Courier 18 June
- Headline 'Catalogue of errors". Article about a leaked report. "The full extent of **Midlothian** Council's failings over a Bonnyrigg car park has been revealed in a damning report.....there were several areas of failure, including lack of planning and monitoring over the funds awarded...." Lack of awareness of guidance to ensure grants are used properly and failure to note decisions also raised. The council says work to strengthen procedures is ongoing, as is the police investigation. Midlothian Advertiser 23 June
- Several years ago, **Renfrewshire** Council hired Bill Anderson to cut unemployment with an annual budget of £4 million. He has exceeded his budget by £2.2 million with no success to show, prompting his resignation." Daily Mail, Herald 2 July, Evening Times
- **Shetland Islands** Council is to radically overhaul the way it sets annual budgets, including drawing money from its oil reserves, after a warning from its outgoing head of finance that spending is currently "well in excess of what is affordable and sustainable". "Failure to act and take difficult decisions now might also mean the council would not be in a position to adapt to growing and changing service needs, potentially face further challenges from the **Accounts Commission** and suffer damage to its reputation in the community." Shetland Times 4 July
- **Shetland Islands** Council has appointed three new directors internally with the remaining two now going out to be advertised nationally. External recruitment specialists supported the candidates and advised the council. Shetland News 4 July

### **Recent publications**

36. The **Audit Commission** published its response to the Department for Communities and Local Government consultation on the future of local public audit.
37. **The National Audit Office** published its report on the **failure of the FiReControl project**, designed to replace local control rooms across England with nine purpose-built regional control centres linked by a new IT system.
38. **Certifying grant claims and returns, 30 June 2011.** Audit Commission auditors certify claims and returns to provide assurance to grant-paying bodies that claims for grants and subsidies comply with terms and conditions, or that information in financial returns is reliable.

### **Conferences**

- **Supporting Scotland's Cities**  
Holyrood Conferences: 28 September, Glasgow

This one day event on Wednesday 28th September 2011 will assess the Scottish Government's newly revitalised cities strategy. Keynote speakers include:

- **Nicola Sturgeon MSP, Cabinet Secretary for Health, Wellbeing and Cities Strategy, The Scottish Government**
- **Professor Richard Harris**, Cairncross Professor of Applied Economics and Director of the Centre for Public Policy for Regions, University of Glasgow
- **Neil McInroy**, Chief Executive, Centre for Local Economics Strategy
- **Robert Trimble**, Chief Executive, Bromley by Bow Centre
- **Professor Carol Tannahill**, Director, Glasgow Centre for Population Health

**ACCOUNTS COMMISSION**

**MEETING 14 JULY 2011**

**REPORT BY ASSISTANT AUDITOR GENERAL**

**BENEFITS PERFORMANCE AUDIT – ANNUAL UPDATE**

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**1 Purpose**

1.1 This paper invites the Commission to note the outcome of Audit Scotland's benefits performance audit work during 2010/11 and the implications that Universal Credit (UC) has for the administration of devolved housing and council tax benefits (HB) for Scotland.

**2. Summary**

2.1 Audit Scotland found that where benefits services are well managed they can deliver strong performance and provide high quality services for claimants during a period of increasing caseloads, reducing funding and uncertainty about their future.

2.2 There is a very high acceptance of identified audit risks (96%) and an acceptable level of implementation of previously agreed risks (77%). Council satisfaction with the revised audit process is high at 83%.

2.3 Looking forward, the introduction of UC effectively ends the devolved administration of housing benefits services in Scotland. Further, it represents a significant shift in the relationship between local and central government in terms of how some services will be delivered. The future of Council Tax Benefit is uncertain but it is planned to be abolished by April 2013.

**3 Background**

3.1 In Scotland, one in five households receive financial support to help pay for their rent or council tax in the form of means tested HB. In 2010/11, Scottish councils paid out £2 billion in HB awards and received £59 million administration grant from the Department of Works and Pension (DWP) to deliver these services.

3.2 In April 2008, the Accounts Commission took over the responsibility for auditing HB services in Scotland from the Benefit Fraud Inspectorate. This work is known as the benefits performance audit. Its main objective is to help councils improve their benefits services but it will also hold councils to account for any failing services. The audit has two phases:

- a risk assessment phase that identifies risks to the continuous improvement
- a focused audit phase that examines the service, or parts, of it in more detail if a council is unable, or unwilling, to reduce key the risks identified.

3.3 Risk assessments reports are provided to council Chief Executives who prepare an improvement plan detailing the actions that they will take to address identified risks and associated timescales. These reports are also copied to the DWP to provide assurances over how Scottish Councils are performing.

3.4 When a focused audit is required the Controller of Audit will prepare a report to the Accounts Commission which will be copied to the DWP.

#### **4 Work carried out to date**

4.1 At its meeting on 15 July 2010 the Commission noted the Director of Audit Strategy's report that first round risk assessments had been carried out in all 32 council benefits services during the period April 2008 to March 2010.

4.2 The 2010/11 year represented the start of the second round of HB risk assessments. An updated risk model and plan was prepared based on first round baseline work, DWP performance indicators, annual subsidy claims results and local audit reports. Benefits performance audit forms part of Shared Risk Assessment planning.

4.3 The 2010/11 programme started with the highest risk councils. Nine risk assessments were carried by the end of March which is seven less than planned. However, and for the first time, a focused audit was required to be carried out on Aberdeenshire Council. This report is separately tabled in the agenda.

4.4 Dundee City Council has also been asked to submit a progress report on its improvement plan submitted in December 2010 by the end of August 2011.

4.5 In May 2010, in line with Audit Scotland's objective of identifying and sharing good practices, a thematic study was published that sought to encourage councils to review and improve the quality of their benefits websites. This is the first time such an exercise has been undertaken and Audit Scotland will consider future thematic HB exercises.

#### **5 Key Issues from 2011 Risk Assessments**

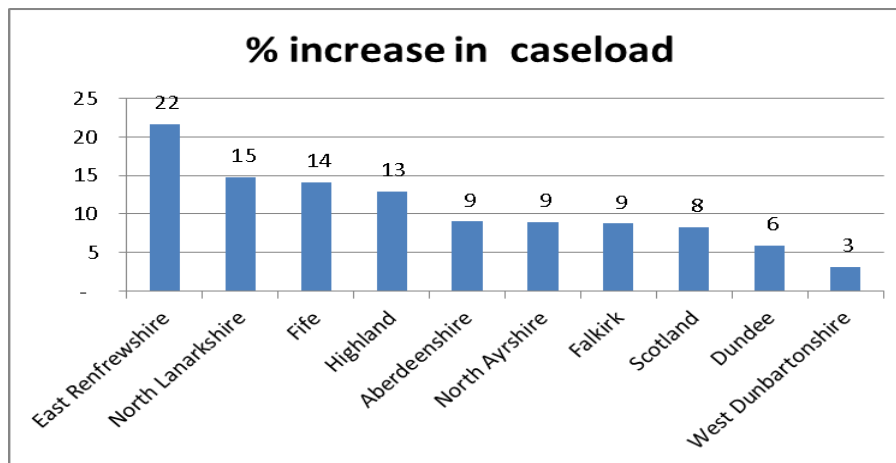
##### ***Outcomes of the risk assessments***

5.1 Audit Scotland identified 135 risks to continuous improvement in the nine councils reviewed. With the exception of Aberdeenshire Council, all councils drew up improvement plans to address these risks within appropriate timescales.

5.2 Analysis of the submitted improvement plans identified that:

- 96% (109/114) of the identified risks were fully accepted by councils
- 23% (26/114) of risks were carried forward from previous risk assessments.

5.3 Ideally all agreed actions should be implemented. However, this analysis coincided with a period of severe economic downturn, associated caseload increases and budget pressures. Between March 2009 and March 2011, there was an 8% (36,530) increase in claimants in receipt of housing benefits in Scotland. For the 9 councils we reviewed in 2010/11 the caseload increase over this period was:



5.4 This implementation rate, therefore, is perhaps not unexpected and still indicates that the majority of the agreed actions could be delivered. For this councils should be commended, particularly North Lanarkshire, which was the only council we found which had taken action to implement all of the agreed actions from the first round risk assessment, though noting that two were only partially implemented.

5.5 What is clear from review of high risks councils is that where HB services are well managed they can deliver value for money services in difficult economic circumstances.

5.6 A number of areas of good practice and performance were identified. Many of these can be traced back to the actions taken by these councils to address the first round reported risks. Appendix B provides further examples but some key ones to note are:

- Fife Council created a 'future working' team to review and improve how their benefit services were being delivered. This review resulted in changes that helped improve their new claims processing time to 19 days from 34 days, against a background of a 14% increase in caseload
- two councils, North Ayrshire and North Lanarkshire, achieved Government Customer Service Excellence accreditation for their benefits services
- North Ayrshire Benefits Investigation Team won the Scottish Performance Award for 2010 awarded by the Institute of Revenues, Rating and Valuation and were short listed for UK anti- fraud team of 2010.

### **Overall**

5.7 From the second round of audits, Audit Scotland identified three main areas of risk that give cause for concern:

- overpayments recovery has declined
- council performance against accuracy targets has declined
- further work needs to be done to demonstrate how they are meeting the needs of the user and community.

5.8 Areas where we are seeing improvement from first round assessments are:

- the level and quality of performance reporting to senior managers and members



- the embedding of business planning processes into operational practices.

### Stakeholder feedback

5.9 Post assessment questionnaires are issued after each risk assessment. The questions are designed to gain assurances over whether the changes to the audit methodology and documentation are working and to look for areas which can be improved.

5.10 Overall the responses were positive and provided assurance that the audit methodology is fit for purpose and proportionate. The following comments help illustrate what was found:

*“My staff and I are dedicated to providing an effective and efficient benefit service to our customers’ and the risks identified during the audit will help us improve further. Overall the audit has been a positive process”*

*“It was a structure that I would consider adopting for future in house self-assessment as the emerging findings/outcomes mirrored what I already knew but had not documented in full”*

*“The requested information covers all the main areas of benefit administration and there is sufficient flexibility and opportunity to cover anything additional that the council would want to inform Audit Scotland about”*

*“It is appreciated that the current procedures for the audit are very user friendly causing minimum disruption to the division”*

5.11 It is worth noting that whilst majority of the responses were positive not every council found the process to be so. Particular concerns raised were:

- the need more flexibility in terms of timescales for report clearance
- the need for more local and national context within reports
- how emerging findings are presented and the timescales for the council to respond.

5.12 Audit Scotland has taken some of these comments on board and built in report clearance flexibility at initial set up of audits and are also considering more context to reports. It should be noted though that a number of council did not want more contextual information due data reliability and comparability concerns. There was no appetite for additional performance data collection and analysis in risk assessment reports.

5.13 Audit Scotland will continue to monitor its approach going forward in conjunction with the DWP who, since April 2011, have resumed their inspection function of HB services in England following the abolition of the Audit Commission.

5.14 Early indications are that the DWP approach will be similar to Audit Scotland’s in terms of proportionality and limited on site visits. This change, taken together with the introduction of UC from 2013, will necessitate a more fundamental review of how to best deliver benefits performance audit as HB migrates to UC.

## **6 Universal Credit**

### ***Background:***

- 6.1 The Westminster government published the White Paper “Universal Credit: Welfare that works” on 11 November 2010 and introduced the “Welfare Reform Bill” to parliament on the 16 February 2011. These set out ambitious plans to reform the welfare system by creating a new UC for working age claimants. The main driver for this legislation is to ensure that it pays people to work rather than to stay on benefits.
- 6.2 The detail behind this bill is currently being worked through in Westminster. Scottish local authorities, through COSLA, are also working closely with DWP at various steering groups to facilitate this policy change and ensure a smooth and efficient migration.
- 6.3 The following is a high-level summary of the expected implications for Scotland.

### ***Timeframe***

- 6.4 From April 2013, UC will be in place for working age claimants with no existing claims to relevant benefits. By 2017, all working age claimants will be administered under UC.

### ***What UC will look like***

- 6.5 All the benefits that a working age claimant may be entitled to, such as job seekers allowance, child benefit and housing benefits, will be pooled and come under UC arrangements. Claimants will in effect receive a monthly benefits ‘wage slip’ with the separate benefits entitlements listed.
- 6.6 There will be a maximum annual entitlement. There will be better incentives to return to work, such as a tapered, slower withdrawal of UC as income rises and increases to the amount of earnings that can be disregarded. These are the main incentives within UC to ensure that work pays.
- 6.7 The centralised administration of UC, with direct links to HMRC, aims for a more efficient administration that will deliver overall savings in time.

### ***Implications for Scottish public sector bodies***

- 6.8 The main impact will be on local authorities who currently have devolved responsibility for administering housing and council tax benefits in Scotland. The housing benefits element will form part of UC and as such will no longer be administered by Scottish Councils after 2017. The Bill plans to abolish council tax benefit from April 2013.
- 6.9 These changes for housing benefits appear quite straightforward. However, they will have significant implications for councils on a number of levels.

### ***Councils as HB administrators***

- 6.10 The following are the key issues that councils will need to plan for:
- reduced funding as the caseload migrates from council administration to UC (funding is based on caseload)

- potential staff cuts; experienced staff leaving; redeployment and associated morale issues as HB services reduce and ultimately end
- maintaining service delivery and performance (speed, accuracy, recovery) in a period of change
- managing the potential loss of subsidy income should errors rates increase
- estates planning and office rationalisation as accommodation is no longer needed
- how best to communicate to claimants what these changes mean for them
- consider other service implications (landlord role, homelessness, social work, welfare rights)
- IT disinvestment

6.11 These issues will increase the risks facing benefit services during this period and will require sound business planning to ensure that they are effectively managed.

### ***Councils as landlords/direct payment of UC***

6.12 The majority of Scottish Councils (26/32) still manage their council housing stock. For Scotland around 60% (£615 million 2009/10) of the rental income for this comes directly from housing benefits. This percentage varies between councils from 33% to 75%.

6.13 UC will pay claimants the HB element directly (one UC claim per household). It will be the claimant's responsibility to pay rent to the council. The mix of full and partial benefit receipts may further complicate rent collection.

6.14 Under current arrangements, where a council operates both housing rent and housing benefits systems, there is a direct electronic interface of rent charge and benefits payment. Council's, therefore, have security over a material proportion of their housing rental income.

6.15 There may be less security under UC due to the direct payments approach. This will have knock on implications and risks for council budgeting, cash collection, cash flow management and debt collection arrangements. Costs may need to rise as councils seek to manage these risks. It is not clear whether there will be any additional funding from central government to support this change.

6.16 The social landlord and private sectors will be similarly affected.

### ***Council tax benefits***

6.17 What happens to CTB has still to be resolved but the Bill proposes that it is abolished by April 2013.

6.18 There is uncertainty as to whether CTB will form part of UC and, therefore, whether it will be administered locally or centrally. The date April 2013 represents a very tight timeframe in which councils have to operate to ensure workable arrangements are in place. There would need to be a suitable period of time to allow consultation, tendering, IT development and other relevant issues to take place.

- 6.19 The abolition of CTB also raises the potential for different arrangement between administrations.

### ***Claimants over 65***

- 6.20 UC applies to working age claimants only. Who administers HB for the over the 65's has still to be resolved including any role that councils may play. It may be dealt with through HMRC and pension credit system in which case similar issues and risks around council as landlord will exist.

### **6.21 Other Changes**

- 6.22 The following, whilst not directly related to UC, are changes to benefits regulations that will have an impact on HB administration and claimants.

### ***Fraud Investigation Arrangements***

- 6.23 The Government proposes the creation of a single integrated fraud investigation service (SIFIS) with statutory powers to investigate and sanction all benefit and tax credit offences that will combine relevant resources across Local Authorities, HMRC, and DWP. The service will operate from April 2013 and will investigate UC fraud as well as legacy benefit and Tax Credit offences.
- 6.24 Councils currently have the power to investigate HB fraud. With the creation of a SIFIS, these responsibilities will transfer from April 2013. The 2010/11 risk assessments generally found that counter fraud activity was well managed or improving.
- 6.25 It is not decided how this single body will be organised in terms of geography or structures but for councils this has staffing and operational implications. How local fraud knowledge and expertise is retained and/or transferred will also be paramount. Again, councils are working with the DWP to facilitate this transition.

### ***Local Housing Allowance/ Homelessness***

- 6.26 Changes were made from April 2011 relating to local housing allowance (LHA). This allowance is important in terms of housing benefits as it determines the starting figures for rent to be used in calculating awards for the majority of tenants living in the private rented sector. They are calculated and set by reference to rental markets as determined by Rent Service Scotland. There are 18 rental markets for Scotland.
- 6.27 These recent changes effectively mean that where previously half the properties in an area would be affordable for housing benefit claimants, now only 3 out of ten will be. This assumes that rent levels are not reduced by private landlords. The impact of this will vary from council to council depending on local housing market conditions.
- 6.28 This change will potentially require claimants to move to areas that they can afford the rent and live within their UC allowance or potentially to declare themselves homeless. Where people present themselves as homeless, councils have a statutory duty to house them. This is expensive and raises further questions on:
- how best to integrate associated social work/welfare issues
  - whether housing stock capacity is sufficient and in the right areas if the LHA rate changes result in people moving to 'affordable' areas

### ***Non Dependant Deductions***

6.29 These are deductions to housing benefits for adults living in the household as these adults are expected to contribute to rent. Deductions have been frozen since 2001 but from April 2011 will be increased and by 2014 will match growth in rent since 2001

6.30 This increase means that claimants/household will receive less benefit to cover their rent. This puts the onus on:

- councils obtaining correct non-dependant information for new claims
- operating effective interventions programmes to ensure accuracy of existing claims
- rent collection arrangements as responsible UC claimant may be unable to pass on non-dependant rent elements.

## **7 Recommendations**

7.1 The Commission is invited to note the outcomes of the benefits performance audit from April 2010 to March 2011 and the implications that UC has for the devolved HB administration in Scotland.

## Appendix A – The risk assessment programme 2010/11

<b>Date</b>	<b>Council</b>	<b>Date reported to Chief Executive</b>
June 2010	The Highland Council	10 August 2010
June 2010	Dundee City Council	29 September 2010
July 2010	Aberdeenshire Council	29 September 2010
July 2010	West Dunbartonshire Council	8 October 2010
September 2010	North Ayrshire Council	12 November 2010
September 2010	East Renfrewshire Council	8 November 2010
September/October	Internal Review	completed
November 2010	Falkirk Council	16 March 2011
December 2010	Fife Council	11 May 2011
January 2011	Midlothian Council	In progress
January 2011	Argyll & Bute Council	In progress
March 2011	North Lanarkshire Council	18 March 2011
April 2011	Comhairle Nan Eilean Siar	In progress

## Appendix B – good practice examples

Council	Area	Good practice identified ( <i>performance impact</i> )
<b>Falkirk</b>	Right Benefit Indicator	Improvement achieved through regular targeting high risk groups and use of local risk criteria <i>(from 19 to 32 changes per 1,000 cases)</i>
	Sanctions	Introduction of a mid-investigation management check to ensure investigations are on track <i>(sanctions up by 80% since check introduced)</i>
<b>Fife</b>	New claims	Set up a ‘future working team’ which reviewed how the benefits service was being delivered and to identify ways to prevent backlogs and improve claims processing times. <i>(new claims processing time improved to 19 days from 34 days against a 14% increase in caseload)</i>
<b>North Ayrshire</b>	User needs	Gains assurance that user needs are being met through extensive surveys with customer and key stakeholders, routine complaints analysis and monitors performance against agreed customer service target. <i>(achieved the Government Customer Service Excellence accreditation in August 2010)</i>
	Sanctions	Undertakes regular performance monitoring and management checks on investigations and continues to develop a strong anti-fraud culture internally and externally. <i>(the Benefits Investigation team were awarded IRRV Scottish Performance Award for 2010 and short listed for UK anti- fraud team of 2010.)</i>
<b>North Lanarkshire</b>	New claims	Made effective use of the additional DWP funding provided to mitigate impact of economic downturn by employing 14 temporary staff and made improvements in claim management and workflow processes. <i>(new claims processing time improved to 18 days from 20 days against a 15% increase in caseload)</i>
	User needs	Customer surveys and mystery shopping exercise used to assess current levels of customer service and identify any staff training needs. Collaborative working with council’s Welfare Rights, Money Advice and Citizens Advice Bureau through the North Lanarkshire Advice and Information Forum. <i>(achieved the Government Customer Service Excellence accreditation in January 2010)</i>

**ACCOUNTS COMMISSION**

**MEETING 14 JULY 2011**

**NOTE BY ACTING SECRETARY & BUSINESS MANAGER**

**ABERDEENSHIRE COUNCIL: PERFORMANCE AUDIT OF HOUSING AND COUNCIL TAX  
BENEFIT - REPORT BY THE CONTROLLER OF AUDIT**

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**Purpose**

1. The purpose of this report is to introduce the Controller of Audit's report on the performance audit of Aberdeenshire Council's housing and council tax benefit service.
2. The Commission is invited to consider the report and decide how it wishes to proceed.

**The report**

3. This report is the product of a focussed audit of parts of Aberdeenshire Council's housing and council tax benefit service following a risk assessment of the service carried out in autumn 2010.
4. Following a risk assessment, Audit Scotland decides whether to:
  - accept the council's action plan
  - ask the council for a further report in a few months' time; or
  - carry out a focussed audit in relation to those areas where the council appears unable or unwilling to take sufficient action to address identified risks.
5. Under the arrangements agreed with the Accounts Commission when it assumed responsibility for audits of councils' housing and council tax benefits services from the Department for Work and Pensions' Benefit Fraud Inspectorate in April 2008, reports following a focussed audit are prepared in the form of a Controller of Audit report. This is the first such report.
6. The report to the Commission is made under section 102(1) of the Local Government (Scotland) Act 1973 (as amended by subsequent legislation including the Local Government in Scotland Act 2003).
7. A copy of the report is being sent to the Council, which is obliged to supply a copy to each elected member and to make additional copies available for public inspection, and to other parties identified in the report. Once the Controller of Audit's report is sent to the Council and other parties it is effectively in the public domain.

**Consideration of the report**

8. The legislation provides that, on receipt of a Controller of Audit report, the Commission may do, in any order, all or any of the following, or none of them:
  - (a) Direct the Controller of Audit to carry out further investigations;
  - (b) Hold a hearing;
  - (c) State its findings.



9. The audit team will be present at the Commission's meeting and will be available to answer questions.

**Conclusion**

10. The Commission is invited to:

- consider the report by the Controller of Audit on Aberdeenshire Council's housing and council tax benefit service
- decide how it wishes to proceed.

Gordon Smail  
Acting Secretary and Business Manager  
6 July 2011

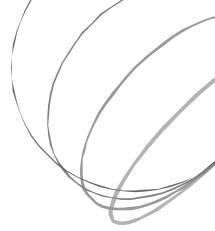
# **Aberdeenshire Council**

**Performance audit of housing and council tax benefit**

**Report by the Controller of Audit**

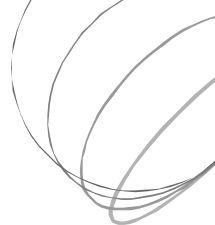
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Response to previous audit reports	4	Speed of processing	7
Managing the HB service	6	Interventions	8



# Introduction

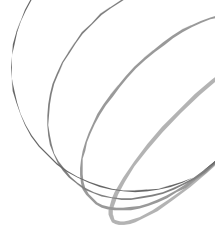
1. In Scotland, one in five households receive financial support to help pay for their rent or council tax in the form of means tested housing and council tax benefits (HB). Local authorities have devolved responsibility to administer HB services. Scottish councils collectively paid out £2 billion to 600,000 claimants in 2009/10. The Department of Works and Pension (DWP) paid councils £59 million administration grant for delivering these services.
2. Aberdeenshire Council is predominantly rural covering 8% of Scotland's total land area with a resident population of 240,000. Its benefits caseload is around 14,300 and its annual subsidy claim for 2009/10 was £41 million making it 16th in terms of monetary value in Scotland.
3. The Accounts Commission assumed the DWP's Benefit Fraud Inspectorate's responsibility for reporting on the performance of HB services in Scotland in 2008. This work forms part of the local audit. This work is a performance assessment of benefits services, looking at the quality of those services and the outcomes for service users.
4. The key drivers for HB performance audit work are:
  - Best Value – which places a legislative duty on councils to secure continuous performance improvement, having regard to economy, efficiency, effectiveness and equality
  - Crerar –which recommends that external scrutiny should provide assurance that a service is well managed, safe and fit for purpose and that public money is being properly used
5. Audit Scotland also liaises closely with DWP on the performance of Scottish HB services. DWP main interests are linked to the need to ensure that the right benefit goes to the right claimant at the right time.
6. Whilst HB services face the same budget stresses as other council services they face additional pressures arising from the expected introduction of Universal Credit. From 2017, HB services will form part of Universal Credit. Between now and this date working age benefit claimants, including HB elements, will migrate across to Universal Credit.
7. Key issues for councils arising from this migration include:
  - budget uncertainty aligned to reducing centralised funding
  - systems disinvestment
  - claimant uncertainty
  - staff morale issues.



8. Well-managed HB services will address these challenges through sound service planning and regular performance monitoring, aligned with timely decision-making that is informed by regular, validated analysis of operational activities.
9. HB performance audit work is carried out in two stages. The first stage consists of a risk assessment based on a council's own self-assessment that is reviewed by Audit Scotland. Risks to the continuous improvement are identified and councils are given the opportunity to address these risks themselves by producing an improvement plan containing actions with completion dates. Risk assessment reports and council responses are copied to the DWP for information.
10. Second stage focused audits, which result in a S102(1) Controller of Audit Report, are only carried out if authorities are unable or unwilling to reduce these risks to an acceptable level.
11. Since 2008, all Scottish councils have had a first stage risk assessment. Audit Scotland identified 350 risks to continuous improvement and reported these to Chief Executives. 32 improvement plans were prepared and returned within a month of our reports.
12. A second round of risk assessments commenced in April 2010. First round baseline data, DWP performance indicators and the work of local auditors informed this risk assessment programme, which concentrated on high risk councils first with Aberdeenshire Council being one of these.

## Summary

13. Aberdeenshire Council has had two HB Performance risk assessments. The first was reported in September 2008 and the second in October 2010. The 2010 risk assessment identified that the council had a number of areas of good performance relating to customer service including:
  - changes to the benefits service's web pages to make them more accessible, adding a web calculator to allow customers to check potential benefit entitlement, and providing forms which customers can download
  - two benefit take-up campaigns over the previous twelve months which resulted in additional income for the customers involved
  - an information pack which includes a comprehensive range of information about the services, help and support that is available to those experiencing redundancy or financial difficulties.
14. The 2010 risk assessment also showed that that the service had improved its accuracy and benefit fraud sanction performance.
15. However, following the second risk assessment Audit Scotland found that the council had not:

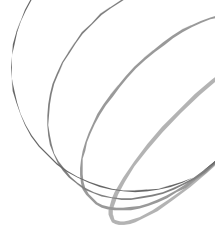


- fully implemented 75% (9/12) of the agreed actions planned to address the risks from the 2008 report
  - improved its speed of processing new claims, which remained one of the poorest in Great Britain
  - held service performance to account through open scrutiny and challenge at member level
  - demonstrated good service management and understanding, in particular business planning and interventions.
16. In addition, the second self-assessment did not demonstrate strong self-awareness. In providing assurances it gave the same general response to the questions on assurance for all aspects of the service rather than providing responses that were specific to each business area.
17. Further, the council did not prepare an improvement plan to address the 21 risks identified in Audit Scotland's 2010 report in accordance with the normal timeframe. Improvement actions have taken place between October 2010 and June 2011 including:
- a revised business plan and performance reporting measures
  - improved speed of processing new claims performance
  - plans to review its interventions activities.
18. Outstanding risks need to be addressed going forward, particularly in light of the fundamental changes and risks highlighted in the coming years for HB services.

# Response to previous audit reports

## Action taken to address risks in 2008 report

19. Audit Scotland reported on Aberdeenshire Council first round audit in October 2008. There were 14 risks identified to continuous improvement. The council submitted an improvement plan in November 2008 to address 12 of these risks. Audit Scotland accepted this as being satisfactory, if implemented. These were due for completion by March 2009.
20. In autumn 2010, Audit Scotland completed its second risk assessment. Audit Scotland identified that the council had not fully implemented nine out of the 12 agreed actions to address the first round risks. The council considers that it had made progress and had completed eight of the agreed actions. Audit Scotland considers that five of these had only been partially implemented and, therefore, the council had not fully mitigated the original risk identified and that risks remained.



## Action taken to address risks in 2010 report

21. In addition to these nine unactioned risks, 12 additional risks to continuous improvement were identified during the 2010 risk assessment. An improvement plan was not prepared in accordance with the usual timetable. The council stated in its response to the report on the 4 November 2010 that it would:

**'defer any decision on a strategy for dealing with the risks to continuous improvement until January 2011 when council is able to formulate its spending priorities with a greater degree of certainty.'**

22. Whilst a strategy was not provided by January 2011, improvement actions were undertaken by the council between October 2010 and March 2011, the date of our focussed audit. The council maintained the benefits service budget for 2011/12.

23. Improvement actions put in place include:

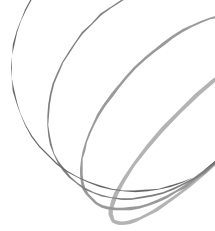
- a revised business plan and performance reporting measures
- improved speed of processing new claims performance
- plans to review its interventions activities.

## Scrutiny

24. The 2008 report was not taken to a council committee. The October 2010 report went to the Policy and Resources Committee on 9 June 2011 as an appendix to a report prepared by the Head of Finance. Members did not have the opportunity to scrutinise the service on its performance within the operational context which existed at the time the report was prepared. Following consideration at the Policy and Resources Committee in June 2010 it was agreed that the Benefits Service action plan, progress thereon and performance data will be reported to the Council's Scrutiny and Audit Committee on a quarterly basis.

25. A key issue has been the failure to report the council's relative performance against key DWP performance indicators and national averages. The council has instead chosen to focus on internal targets when measuring and reporting its performance, indicating that these gave a more accurate picture of current performance.

26. Whilst measuring internal performance provides important trend analysis over time, it is also important that the council be aware how it is performing compared to its peers. If the service had reported its relative new claims performance then this would have provided members the opportunity to challenge performance and to target improvements. The June 2011 report prepared by the Head of Finance includes some relative performance information and this improvement is welcomed.



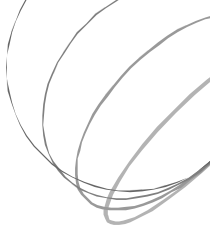
# Managing the HB service

27. In the ever-changing environment of a benefit service, an effective business planning cycle facilitates the planning and management of change and delivering continuous improvement across all aspects of the service. Accurate and regular reports should be used to monitor the delivery of plans and performance targets.
28. The Benefits Service has a three-year service plan that is developed and reviewed annually by the Benefits Management Team (BMT), and reviewed and approved by the Benefits Policy Board (BPB). The associated action plan, detailing the improvement activities the service will carry out, should be monitored and regularly updated by BMT.
29. Audit Scotland reported in October 2008 that the service's business planning cycle was weak. The planned activities to deliver continuous improvement were not actioned. In October 2010, Audit Scotland reported that significant risks in this area remained in that the service could not demonstrate that its plans were effective in delivering improved performance and outcomes for its customers.
30. Following Audit Scotland's second report the service has amended its service plan format and the draft 2011/14 service plan and monitoring process addresses some of the risks previously identified.

## Performance monitoring and reporting

31. The benefits manager on a monthly basis monitors performance and also reports to the BMT every two months and the BPB each quarter. In addition, the service presents an annual report to Members.
32. Audit Scotland identified risks to continuous improvement in October 2008 in that the regular performance reports did not detail performance against targets and therefore lacked the necessary context. In addition, there were some performance targets that were not monitored or reported against. In October 2010, Audit Scotland reported that this latter risk remained.
33. Since then a full range of performance measures has been identified for every team within the service. Performance against these targets is collated and presented in monthly and quarterly reports, which should help make clearer the areas where performance needs to improve.

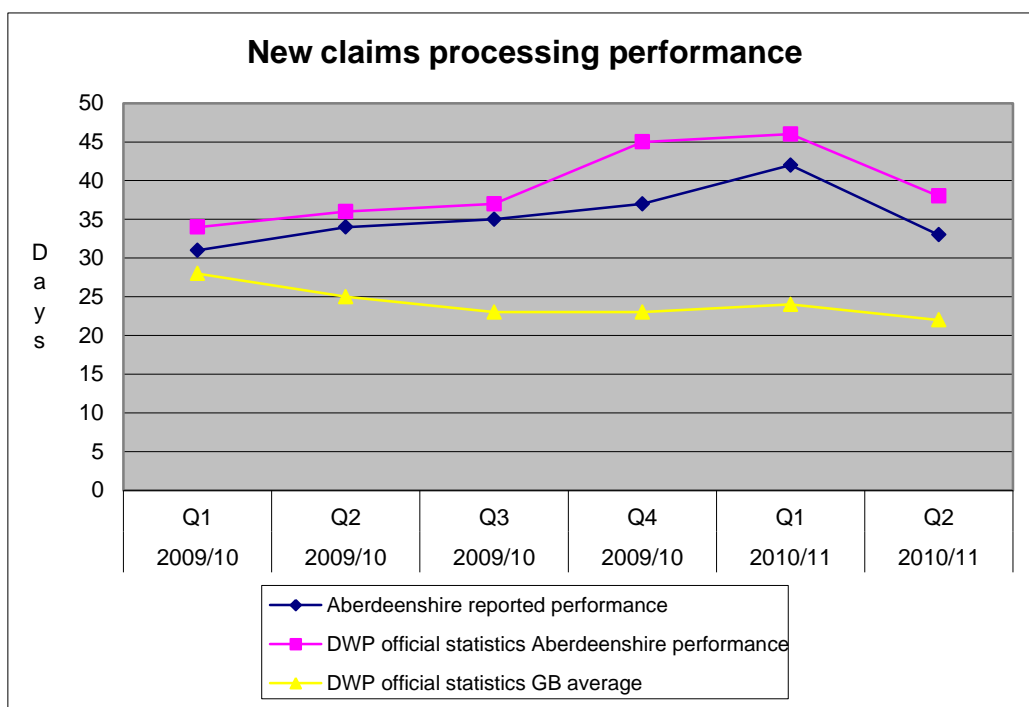




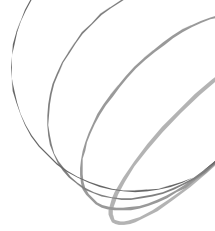
# Delivering outcomes

## Speed of processing

34. DWP main interests are linked to the need to ensure that the right benefit goes to the right people at the right time. The DWP's Right Time national indicator measures speed of new claims and changes of circumstances and is a key, nationally reported indicator.
35. For new claims, the councils performance has been consistently below the national averages. In addition, the council has reported internally its performance for each quarter that is significantly different to that reported by the DWP. The following graph illustrates:



36. At the time of the focussed audit, the council had still not undertaken any validation work to understand reasons for anomalies as it was prioritising the improvement of the service generally. Audit Scotland also identified inconsistencies in terms of claim numbers and the time taken to process new claims.
37. The council needs to carry out further interrogation of its claims processing data to establish the reasons why there are differing levels of performance. The council cannot be certain about its actual performance until it identifies and resolves the data anomalies.



## **New claims processing performance**

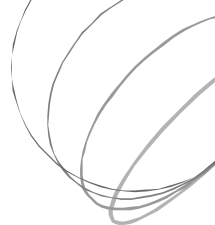
38. Audit Scotland undertook further audit analysis of the council reports provided by the council from April 2010 to December 2010. This showed that for new claims received:
- average officer processing times was 40 days
  - 9% of new claims were processed under Scottish average of 23 days
  - 11% of new claims were processed under council target of 26 days.
39. Audit Scotland held workshops with processing staff and undertook substantive testing of new claims received in January 2011 that took over 50 days to process to help inform reasons for poor performance. Findings identified that may contribute to poor new claims performance include that it took an average of seven days to make an initial request of information after claim had been received and that it took on average two days for new claims to be scanned into the system to enable processing to start.

## **Council action to address new claims performance**

40. Since Audit Scotland's October 2010 risk assessment, the service has cleared its backlog of new claims. This back log started to accumulate from January 2010, following the implementation of a pre-assessment team, set up to examine all new claims on receipt and request any additional information or evidence.
41. In May 2010, a decision was taken to ring fence the backlog and management information shows this was finally cleared in January 2011, with an average speed of processing of 68 days.
42. As a result of clearing this backlog and amending its process maps for new claims the service has improved its DWP reported speed of processing new claims to 29 days for quarter 3 2010/11 which is six days above the Scottish average and the fourth slowest in Scotland. However, as substantive testing of 2011 new claims showed, there is further opportunity for improvement and the council needs to be proactive in identifying and managing the reasons for delays if it is to continue to maintain or improve its performance going forward.

## **Interventions**

43. To minimise error in the caseload, councils must encourage customers to report changes of circumstances on time and have a robust intervention programme to identify changes and take appropriate corrective action.



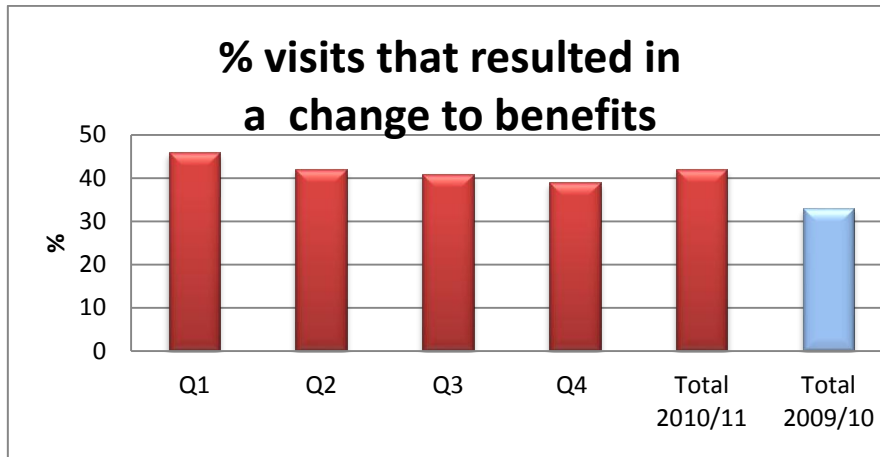
44. A proactive interventions policy will minimise overpayments and underpayments arising from error and fraud. It will focus scarce resources on high-risk areas to deliver value for money outcomes for the council.
45. Interventions are usually undertaken by the following methods:
- by writing to claimants
  - by telephoning claimants
  - in person where council staff visit claimants at home.
46. The council decided that to improve customer service, and ensure that customers and council needs were dealt with at one visit, a single revenues visiting team was created in 2008. This team equates to 12% of the benefits service staffing complement and around 20% of visiting staff time is dedicated to non-benefit visits. There has been limited telephone or written intervention activity since our 2008 report.

## **Visiting selection criteria and analysis**

47. It is important is that the council targets high-risk cases for visits that can deliver the best outcomes for the service. There are three sources for selecting visits:
- DWP monthly risk report which prioritises cases by risk
  - diary events where expected changes are timetabled for visits
  - processing staff requests for visits.
48. The majority of planned visits derive from the monthly DWP risk reports. When Audit Scotland reviewed DWP cases selected for visits over the last year it found that visits included income support and pension credit cases. As these cases have already been pre-assessed by the DWP, they are unlikely to be high risk. Discussions with visiting staff revealed that low risk visits were selected to ensure that visiting officers had full diaries. Analysis of council 2010/11 records showed that, on average, 37% of planned visits were low risk cases.

## **Outcomes**

49. The council defines a successful visit as where there is a change in benefit entitlement following a visit. The following graph summarises percentage of cases visited which resulted in a change to benefits entitlement:



50. For 2009/10, the council success rate for visits was 33% and for 2010/11, this had improved to around 41%. Other councils have achieved 60% changes in entitlement from postal interventions alone and others report 77% success from their visits. As the council do not analyse the results of visits, and use this to inform future intervention activity, this may further explain limited outcomes in terms of changes in benefit entitlement.
51. In June 2011, the Head of Finance committed the service to a review of its interventions activity.